

## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF OHIO  
CASE NO. 1:02-CV-00479

JEFFERSON-PILOT LIFE INSURANCE COMPANY, )  
PLAINTIFF ) DEPOSITION TAKEN ON BEHALF  
 ) OF THE DEFENDANTS  
 ) BY: SUBPOENA

VS. )

CHRISTOPHER L. KEARNEY, )  
ET AL., )

DEFENDANTS ) WITNESS:  
) CLYDE HONAKER, JR.

\* \* \* \*

The deposition of CLYDE HONAKER, JR., was taken on behalf of the defendants before TAMELA T. LEWIS, Certified Court Reporter and Notary Public in and for the State of Kentucky at Large, at the offices of Collins & Hughes Reporting and Video Service, 209 East High Street, Lexington, Kentucky, on Thursday, March 8, 2007, commencing at the approximate hour of 10:00 a.m.

Said deposition was taken pursuant to subpoena to be used for any and all purposes permitted by the Federal Rules of Civil Procedure.

\* \* \* \*

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CLYDE HONAKER, JR.,

having been first duly placed under oath, was examined and deposed as follows:

EXAMINATION

BY MR. ROBERTS:

Q. Good morning, Mr. Honaker. My name is Mike Roberts.

A. Good morning.

Q. I have the pleasure of representing Chris Kearney in this lawsuit filed by your former company, Jefferson-Pilot. Are you mindful of that?

A. I'm sorry?

Q. Are you mindful that there's an action filed by Jefferson-Pilot against Mr. Kearney?

A. Yes.

Q. You're represented here today by counsel or not?

A. Yes, by John.

Q. He's your lawyer?

A. Yes.

Q. Do you have some representation letter from him, engagement letter?

A. No.

Q. Have you agreed to pay him an hourly fee?

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APPEARANCES

ON BEHALF OF THE PLAINTIFF:

Mr. John E. Meagher  
Shutts & Bowen  
1500 Miami Center  
201 South Biscayne Boulevard  
Miami, Florida 33131

Ms. Stephanie T. Farabow  
(Via speakerphone)  
Jefferson-Pilot Life Insurance Company  
Post Office Box 21008  
Greensboro, North Carolina 27420

ON BEHALF OF THE DEFENDANTS:

Mr. Michael A. Roberts  
Gravdon, Head & Ritchey  
1900 Fifth Third Center  
511 Walnut Street  
Cincinnati, Ohio 45202

ALSO PRESENT:

Mr. Christopher L. Kearney

\* \* \* \*

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A. No.

Q. Is he the company's lawyer or your lawyer?

A. He's the company's lawyer.

Q. Is he representing you personally? Is he your personal lawyer?

MR. MEAGHER: Objection, asked and answered. You can answer.

A. Yes.

Q. Okay. But you've not talked to him about paying any hourly rate?

MR. MEAGHER: Objection, asked and answered. You can answer again.

A. No.

Q. Are you expecting to receive an invoice from Mr. Meagher?

A. No.

MS. FARABOW: Mr. Honaker, can you keep your voice up a little bit. I'm losing you.

THE WITNESS: Yes. We'll try to move the phone here a little bit if we can.

MR. MEAGHER: Yeah. The phone's a little tight, Stephanie.

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1 MS. FARABOW: Thank you.  
 2 Q. So let me get this straight. You've  
 3 never received an engagement letter from Mr. Meagher,  
 4 right?  
 5 MR. MEAGHER: Objection, asked  
 6 and answered.  
 7 Q. Right?  
 8 A. I'm not sure what an engagement letter  
 9 is.  
 10 Q. Have you received any correspondence  
 11 from Mr. Meagher saying, I agree to represent you for  
 12 purposes of the deposition on March 8th, or anything  
 13 to that effect?  
 14 A. I've received verbally that he  
 15 represents me, yes.  
 16 Q. And it's not your expectation that  
 17 you're going to incur any expense for this  
 18 representation, right?  
 19 MR. MEAGHER: Objection, asked and  
 20 answered.  
 21 A. That's correct.  
 22 Q. Who's going to pay the expense of this  
 23 counsel representing you?  
 24 A. Jefferson-Pilot, my former employer.  
 25 Q. Did you meet with Mr. Meagher

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1 yesterday?  
 2 A. Yes.  
 3 Q. For how long?  
 4 A. Two to three hours.  
 5 Q. Did anybody else participate in that  
 6 meeting either personally or telephonically?  
 7 A. Yes.  
 8 Q. Who else participated?  
 9 A. Stephanie Farabow.  
 10 Q. Anyone else?  
 11 A. A lady in Cincinnati, Amy, and I'm not  
 12 sure of her last name.  
 13 Q. Gasser Callo sound familiar?  
 14 A. I don't recall.  
 15 Q. Was she a lawyer or was she a  
 16 nonlawyer?  
 17 A. Yes.  
 18 Q. Anyone else?  
 19 A. That was it.  
 20 Q. Where were you during this meeting?  
 21 A. I was with Mr. Meagher.  
 22 Q. And where was that?  
 23 A. At the Radisson.  
 24 Q. What time was the meeting?  
 25 A. 11:30.

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1 Q. Did you have lunch?  
 2 A. No.  
 3 Q. I'm sorry. Did you say it was a  
 4 two-to-three-hour business meeting?  
 5 A. Yes.  
 6 Q. Did you review documents during the  
 7 meeting?  
 8 A. No.  
 9 Q. Did you lay your eyes on any pieces of  
 10 paper during the meeting?  
 11 A. No.  
 12 Q. Prior to yesterday's meeting, I presume  
 13 you had some conversations with Mr. Meagher or some  
 14 other lawyers representing Jefferson-Pilot about  
 15 today's activities, right?  
 16 MR. MEAGHER: Objection to form.  
 17 You can answer.  
 18 A. I received a subpoena last week.  
 19 Q. Correct. That was from me. You  
 20 understand that?  
 21 A. From you, that's correct.  
 22 Q. Since receipt of the subpoena prior to  
 23 yesterday's meeting, did you have any phone  
 24 conversations with any lawyers for Jefferson-Pilot?  
 25 A. With Stephanie Farabow.

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1 Q. And I presume during that meeting you  
 2 discussed your availability today?  
 3 A. Yes.  
 4 Q. Right. That some lawyer would be  
 5 calling you who would be representing you, I guess,  
 6 right?  
 7 A. We discussed my availability for today.  
 8 Q. Does Stephanie Farabow represent you?  
 9 A. I'm sorry?  
 10 Q. Does Stephanie Farabow represent you?  
 11 A. Stephanie Farabow is a corporate  
 12 counsel.  
 13 Q. Does she represent you?  
 14 MR. MEAGHER: Objection as far as  
 15 it calls for a legal conclusion. You  
 16 can answer.  
 17 A. Mr. Meagher is representing me.  
 18 Q. What did Stephanie Farabow tell you  
 19 during that first call after you received the  
 20 subpoena?  
 21 MR. MEAGHER: I'm going to  
 22 object, attorney-client privilege, also  
 23 work product. I instruct you not to  
 24 answer.  
 25 MR. ROBERTS: Okay. We'll come

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1 back for another deposition in  
 2 Lexington for that question.  
 3 MR. MEAGHER: I don't think so,  
 4 Counsel, but we can agree to disagree.  
 5 MR. ROBERTS: You don't need to be  
 6 so strepitous. The gentleman has just  
 7 testified that she's not his lawyer.  
 8 You've been to law school. You know  
 9 that if she's not his lawyer, it's not  
 10 attorney-client privilege. You've  
 11 instructed him not to answer  
 12 improperly. We'll be back.  
 13 Q. So are you going to accept this  
 14 lawyer's instruction and not tell me anything about  
 15 what Ms. Farabow told you during that first call? Yes  
 16 or no.  
 17 A. Yes.  
 18 Q. Did you have any discussions with  
 19 Mr. Meagher prior to yesterday?  
 20 A. No.  
 21 Q. Did you receive any documents from  
 22 Mr. Meagher, Ms. Farabow or anybody else representing  
 23 Jefferson-Pilot since you received the subpoena?  
 24 A. No.  
 25 Q. Have you looked at any documents on

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1 your own accord?  
 2 A. No.  
 3 Q. So you come here today not having  
 4 reviewed any documents regarding Chris Kearney or this  
 5 lawsuit other than the subpoena you received; is that  
 6 correct?  
 7 A. Could you repeat that, please?  
 8 Q. You come here today having not seen or  
 9 reviewed any documents relating to this lawsuit or  
 10 Chris Kearney other than the subpoena you received?  
 11 A. That's correct.  
 12 Q. Have you received any emails?  
 13 A. One.  
 14 Q. Who was the email from?  
 15 A. From Stephanie Farabow.  
 16 Q. Was there anything in the email other  
 17 than time, date, place of today's activities?  
 18 A. No.  
 19 Q. Did she attach anything to the email?  
 20 A. No.  
 21 Q. Do you still have that email?  
 22 A. I'm not sure if I do or not.  
 23 Q. During the course of yesterday's  
 24 meeting, were you reminded of facts from your  
 25 employment at Jefferson-Pilot?

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1 MR. MEAGHER: I'm going to object  
 2 and instruct you not to answer as to  
 3 any conversations that you had with  
 4 counsel in yesterday's meeting. So I  
 5 instruct him not to answer. You're not  
 6 allowed to ask the content or the  
 7 method in which I discussed matters  
 8 with the witness.  
 9 Q. Were you reminded yesterday of any  
 10 facts relating to your employment at Jefferson-Pilot?  
 11 MR. MEAGHER: Again, I instruct  
 12 you not to answer for the same reasons  
 13 stated earlier.  
 14 MR. ROBERTS: Sure.  
 15 Q. When did you leave Jefferson-Pilot?  
 16 A. I believe it was May 1 of 2002 or  
 17 April 30, 2002. I didn't -- I haven't checked the  
 18 calendar.  
 19 Q. Were you actually working on that final  
 20 day, or was that like you left earlier but that was an  
 21 effective date? Do you know what I mean?  
 22 A. That was my last day at work, either  
 23 April 30 or May 1 of 2002.  
 24 Q. Were you in the office down in North  
 25 Carolina somewhere?

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1 A. Yes.  
 2 Q. We're here in Lexington, Kentucky,  
 3 today. What caused you to relocate to Lexington?  
 4 A. This is my home.  
 5 Q. How long did you reside in North  
 6 Carolina with Jefferson-Pilot?  
 7 A. Approximately three years.  
 8 Q. Have you given deposition testimony at  
 9 all relating to your role at Jefferson-Pilot since  
 10 May 1 of 2002?  
 11 A. No.  
 12 Q. This is the first deposition since  
 13 May 1, 2002 --  
 14 A. Yes.  
 15 Q. -- that you've been involved in? Is  
 16 this the only deposition you've been involved in since  
 17 May 1 of 2002?  
 18 A. Yes.  
 19 Q. I presume you've had some friends or  
 20 relationships with folks that you work with at  
 21 Jefferson-Pilot that you might stay in contact with?  
 22 A. Yes.  
 23 Q. Is Mr. Roberson somebody that you have  
 24 fairly regular communication with?  
 25 A. No.

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 Q. Mr. Shelton?  
 2 A. No.  
 3 Q. When was the last time you had any  
 4 business contact with anyone at Jefferson-Pilot prior  
 5 to your receipt of a phone call from Stephanie  
 6 Farabow?  
 7 A. I couldn't give you a date.  
 8 Q. Several years or --  
 9 A. It's been a few years, yes.  
 10 Q. Do you own any stock in  
 11 Jefferson-Pilot?  
 12 A. Do I own any stock; no.  
 13 Q. Have you ever?  
 14 A. I've had some small amount.  
 15 Q. Was that as part of some employee  
 16 benefit plan?  
 17 A. It was an option grant.  
 18 Q. And you exercised the right to buy the  
 19 option --  
 20 A. Yes.  
 21 Q. -- exercise the option? Have you since  
 22 disposed of all your ownership of Jefferson-Pilot?  
 23 A. Yes.  
 24 Q. Why was that?  
 25 A. My last exercise was within the past

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1 month.  
 2 Q. Your last sale of any equity ownership  
 3 you had in Jefferson-Pilot occurred sometime in 2007?  
 4 A. Yes.  
 5 Q. As we sit here today in March of 2007,  
 6 you no longer own any stock --  
 7 A. No, sir.  
 8 Q. -- and no longer hold any right to  
 9 exercise any options?  
 10 A. No.  
 11 Q. I asked you a negative question. You  
 12 gave me a negative answer. I know what you meant, but  
 13 it's going to look funny on paper.  
 14 You don't presently sitting here today  
 15 in March of 2007 own stock or retain any right to  
 16 purchase any stock under any option?  
 17 A. That's correct.  
 18 Q. What is it that caused you to transact  
 19 that final sale of equity ownership of Jefferson-Pilot  
 20 that you did this year, 2007?  
 21 A. I have a time limit -- I had a time  
 22 limit of when it could be exercised and I chose to  
 23 exercise it now.  
 24 Q. Was that the final day -- were you  
 25 coming to the end of the opportunity to exercise?

14

1 A. No.  
 2 Q. Just a personal financial decision you  
 3 made?  
 4 A. That's correct.  
 5 Q. The time was right for you and you  
 6 exercised?  
 7 A. That's correct.  
 8 Q. What's your date of birth, sir?  
 9 A. November 24, 1940.  
 10 Q. Are you presently employed?  
 11 A. No.  
 12 Q. Are you retired?  
 13 A. I'm retired, but I will do consulting  
 14 work when available.  
 15 Q. Do you hold yourself out as a  
 16 consultant available for hire?  
 17 A. Yes.  
 18 Q. What is the nature of your consulting  
 19 business?  
 20 A. Insurance consulting.  
 21 Q. Have you actually had consulting  
 22 engagements?  
 23 A. Yes.  
 24 Q. How long have you served as a  
 25 consultant?

15

1 A. In total since returning to Lexington  
 2 following retirement, somewhere in the 12-to-15-month  
 3 range.  
 4 Q. Retirement in our society today is just  
 5 a vague term. When you say retirement, as you just  
 6 did in that answer, you're referring to your departure  
 7 from Jefferson-Pilot in May of 2002?  
 8 A. That's correct.  
 9 Q. At the age of 62?  
 10 A. That's correct.  
 11 Q. And did you immediately return to the  
 12 Lexington, Kentucky, area?  
 13 A. My home has always been in Lexington  
 14 during the period of time I was employed at  
 15 Jefferson-Pilot.  
 16 Q. Understood. And that period of time  
 17 was what? What was the period of time you were  
 18 employed at Jefferson-Pilot?  
 19 A. From June 1 of 1995 until 2002.  
 20 Q. Did you have a wife and children back  
 21 in Kentucky while you were in North Carolina?  
 22 A. Yes.  
 23 Q. That's a difficult lifestyle. I bet  
 24 you were happy to retire.  
 25 A. Very difficult.

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1 Q. How many kids do you have?  
 2 A. One.  
 3 Q. Do you have grandchildren?  
 4 A. One.  
 5 Q. Are they both here in Kentucky?  
 6 A. Yes.  
 7 Q. Your service with Jefferson-Pilot, was  
 8 that as a consultant?  
 9 A. No.  
 10 Q. You were an actual employee,  
 11 withholdings, W-2, the whole rigmarole?  
 12 A. Yes.  
 13 Q. Employee benefit plan, stock options,  
 14 et cetera?  
 15 A. Yes.  
 16 Q. Prior to June of '95, who did you work  
 17 for?  
 18 A. Kentucky Central Life Insurance  
 19 Company.  
 20 Q. And how long did you work for them?  
 21 A. From July of 1964 through May 31 of  
 22 two -- or 1995.  
 23 Q. Do you have a college degree?  
 24 A. Yes.  
 25 Q. Is it colored blue, your diploma? Did

17

1 you graduate from the University of Kentucky, sir?  
 2 A. No.  
 3 Q. From where did you graduate college?  
 4 A. Morehead State College, which is now  
 5 Morehead State University.  
 6 Q. And during your employment with  
 7 Kentucky Central Life Insurance Company, were you at  
 8 all times employed in the state of Kentucky?  
 9 A. Yes.  
 10 Q. Did the Kentucky Central Life Insurance  
 11 Company have a disability insurance product that they  
 12 sold?  
 13 A. They may have had. I don't recall for  
 14 certain.  
 15 Q. In what capacities did you serve  
 16 Kentucky Central Life Insurance Company?  
 17 A. In several different positions over the  
 18 years, starting out as --  
 19 Q. Thank you. If you could bring me  
 20 through that chronologically, that would be nice.  
 21 A. What I can remember, if I don't forget.  
 22 Q. Right.  
 23 A. Okay. Started out as a correspondence  
 24 supervisor in policy owner service.  
 25 Q. What does that mean?

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1 A. Responsible for answering all inquiries  
 2 coming in from insureds' agents.  
 3 Q. Correspondence supervisor, does that  
 4 mean that you would oversee letters that were  
 5 responding to folks --  
 6 A. Yes.  
 7 Q. -- that made inquiries?  
 8 A. I'm sorry. Say that again.  
 9 Q. There was a cough. Sorry. Does that  
 10 mean you were overseeing other persons who were  
 11 sending out correspondence in response to inquiries?  
 12 A. Yes, including handling correspondence  
 13 on my own.  
 14 Q. What types of insurance products were  
 15 the concern of correspondents during that time frame,  
 16 if you can recall?  
 17 A. It would have primarily been life  
 18 insurance products.  
 19 Q. How long did you serve in that role?  
 20 A. Approximately one year.  
 21 Q. Then what?  
 22 A. I transferred to life underwriting.  
 23 Q. Were you an underwriter?  
 24 A. Yes.  
 25 Q. How long did you serve in that

19

1 capacity?  
 2 A. I was in that position for  
 3 approximately nine years.  
 4 Q. Then what?  
 5 A. I worked in agency administration for a  
 6 period of several months to a year. I don't recall  
 7 the exact dates or times.  
 8 Q. What kind of role did you play in  
 9 agency administration?  
 10 A. Assisting our agency force with  
 11 anything they needed, you know, also handling  
 12 contracts on new agents that would be coming to  
 13 Kentucky Central, assisting them with any issues that  
 14 they may have regarding like following up on  
 15 applications for insurance.  
 16 Q. Were the agents selling disability  
 17 insurance?  
 18 A. No.  
 19 Q. What was your next role?  
 20 A. I'm not sure of the title it's been so  
 21 long, but administrative assistant.  
 22 Q. What does that mean, an administrative  
 23 assistant?  
 24 A. I was working with the administrative  
 25 vice president of our company and assisting him in any

20

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1 issues that he asked me to.  
 2 Q. Anything related to disability  
 3 insurance?  
 4 A. No.  
 5 Q. How long did you serve in that role?  
 6 A. Approximately one year.  
 7 Q. Then what?  
 8 A. I went into the claims area.  
 9 Q. How long did you serve in the claims  
 10 area?  
 11 A. From 1975 to approximately 1993.  
 12 Q. What were your titles and roles in the  
 13 claims area?  
 14 A. My first title was as claim manager,  
 15 and at some point was promoted to assistant vice  
 16 president and, again, at some point and I'm not sure  
 17 of the dates was promoted to vice president of claims.  
 18 Q. And then your employment with Kentucky  
 19 Central terminated while you were vice president of  
 20 claims?  
 21 A. No.  
 22 Q. I'm sorry. When you left the claims  
 23 area in '93, you were vice president of claims?  
 24 A. That's correct.  
 25 MR. MEAGHER: Objection to form.

21

1 I'm sorry. Could you read back that  
 2 question, please.  
 3 MR. ROBERTS: There's no question  
 4 pending.  
 5 MR. MEAGHER: Read back the last  
 6 question, please.  
 7 (Reporter read the question.)  
 8 MR. ROBERTS: Can we proceed,  
 9 Counsel?  
 10 MR. MEAGHER: Yes.  
 11 Q. What role did you serve after being  
 12 vice president of claims in the claims area?  
 13 A. From 1993 through May of 1995, I don't  
 14 know how to explain what I did, but I worked with the  
 15 deputy liquidator of Kentucky Central on special  
 16 projects and handling the business affairs of Kentucky  
 17 Central.  
 18 Q. Is Kentucky Central still in business?  
 19 A. No, they are not.  
 20 Q. Do you know when it was that they went  
 21 out of business?  
 22 A. Jefferson-Pilot purchased the existing  
 23 block of business from Kentucky Central in liquidation  
 24 effective June 1, 1995.  
 25 Q. And you worked for Kentucky Central up

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1 through the date of that transaction?  
 2 A. That's correct.  
 3 Q. And then after that transaction, you  
 4 became an employee of Jefferson-Pilot?  
 5 A. I was employed by Jefferson-Pilot  
 6 effective June 1, 1995.  
 7 Q. What was going on at the company while  
 8 you were assisting the deputy liquidator?  
 9 MR. MEAGHER: Objection to form.  
 10 You can answer.  
 11 THE WITNESS: I'm sorry?  
 12 MR. MEAGHER: I just objected to  
 13 form. You can answer.  
 14 A. Could you repeat that question?  
 15 Q. What was going on at the company while  
 16 you were assisting the deputy liquidator?  
 17 A. The company -- the state insurance  
 18 department had taken control of the company on  
 19 February -- in February of 1993, and I don't know how  
 20 to answer the rest of your question.  
 21 Q. Do you have an understanding of why  
 22 that action took place?  
 23 A. Not completely.  
 24 Q. What's your limited understanding?  
 25 A. The insurance department took over the

23

1 company my understanding was primarily due to bad  
 2 mortgage loan issues.  
 3 Q. In February 1993, was the company still  
 4 selling life insurance policies?  
 5 A. They ceased selling at some point  
 6 around that time. I'm not certain of what the date  
 7 was.  
 8 Q. At any point in time, was the company,  
 9 Kentucky Central, in the business of selling  
 10 disability insurance?  
 11 A. If they were, it would have been very,  
 12 very limited. I'm not absolutely sure.  
 13 Q. Do you, sitting here today, have any  
 14 personal recall or knowledge that they did?  
 15 A. I don't recall.  
 16 Q. Would it be fair to conclude that you  
 17 didn't have any responsibility for disability  
 18 insurance products even if they were sold?  
 19 A. Not that I recall.  
 20 Q. Did you, prior to '95, have any working  
 21 knowledge of the disability insurance industry  
 22 specifically that you can recall?  
 23 A. No.  
 24 Q. Since May of 2002, have any of your  
 25 consulting engagements concerned disability insurance?

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1 A. No.  
 2 Q. Have you had repeat clients come to you  
 3 for this consulting service since 2002?  
 4 A. No.  
 5 Q. What is the makeup of your client base  
 6 in a consulting role?  
 7 A. I had a consulting agreement with  
 8 Nationwide Claims Investigations, with MIB.  
 9 Q. What's MIB?  
 10 A. Well, it's called Medical Information  
 11 Bureau. I did some survey work for MIB.  
 12 Q. What does that mean, survey work?  
 13 A. I did a survey of the life insurance  
 14 industry.  
 15 Q. Meaning what?  
 16 A. Seeing what interest they may -- the  
 17 industry may have in a new product that MIB was  
 18 proposing.  
 19 Q. When I said what makes up your client  
 20 base, I was speaking more generally. I mean, do you  
 21 get hired by lawyers for matters or do you get hired  
 22 by insurance companies, third-party administrators?  
 23 What makes up your client base?  
 24 A. It's not insurance companies. I  
 25 wouldn't call them third-party administrators.

25

1 Q. Can you share with me a few other  
 2 specifics other than the two you identified?  
 3 A. Okay. IBU, Incorporated, out of --  
 4 Q. IBU, love that name.  
 5 A. -- out of -- I did telephone interview  
 6 work on life insurance applications for them. And  
 7 Swiss Re, I did claim audit work for them on life  
 8 claims.  
 9 Q. Does Swiss Re have any business  
 10 association or relationship to Lincoln National or  
 11 Jefferson-Pilot as far as you know?  
 12 A. I have no idea.  
 13 Q. They're a reinsurer and you did some  
 14 work evaluating policies or claims or departments  
 15 where they --  
 16 A. Life claim audit work for them.  
 17 Q. What does that entail? I mean, is  
 18 there generally disputes about whether someone is dead  
 19 or alive in a life claim analysis?  
 20 A. You want to determine if they have the  
 21 proper documentation in their files that a death did  
 22 occur.  
 23 Q. Death certificate, affidavit?  
 24 A. Correct.  
 25 Q. So that's the nature of the audit work?

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1 A. That's the type of thing that you would  
 2 look at. Also, if there was interest that was paid on  
 3 the claim, was it paid in according to the state  
 4 statute.  
 5 Q. You have to pay interest from date of  
 6 death on the --  
 7 A. Depends on the state law or state  
 8 regulations.  
 9 Q. Do you do fraud investigations about  
 10 whether someone lied about being a smoker or not a  
 11 smoker on their application if it's within two years?  
 12 A. That wasn't a part of the audit work I  
 13 did.  
 14 Q. Do you do fraud investigations about  
 15 suicide or things of that nature that might disqualify  
 16 someone from receiving benefits?  
 17 A. No. All we did was to look at the  
 18 completed claim file to see if it was in compliance.  
 19 Q. What else has made up your retirement  
 20 consulting business?  
 21 A. That's been it primarily.  
 22 Q. Do you advertise on the internet?  
 23 A. No, I do not.  
 24 Q. Do you have a web site?  
 25 A. No, I do not.

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1 Q. It's just word of mouth, referrals,  
 2 people you know in the industry that might send you  
 3 work from time to time?  
 4 A. Contacts that I would have in the  
 5 industry.  
 6 MR. ROBERTS: Why don't we take a  
 7 break for a few moments.  
 8 (A break was taken.)  
 9 Q. Mr. Honaker, have you had any  
 10 consulting engagements with Jefferson-Pilot since May  
 11 of 2002?  
 12 A. No.  
 13 Q. How about DMS?  
 14 A. No.  
 15 Q. Employers Reinsurance?  
 16 A. No.  
 17 Q. Do you know what Employers Reinsurance  
 18 is, the company?  
 19 A. I'm familiar with the name.  
 20 Q. Have you had any contact with anybody  
 21 about Mr. Kearney between the date of your departure  
 22 from Jefferson-Pilot and the end of 2006?  
 23 A. No.  
 24 Q. So through some nature of a  
 25 transaction, Jefferson-Pilot purchased the Kentucky

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1 Central business, the policies that were in force?  
 2 A. That's correct.  
 3 Q. Which definitely included life  
 4 insurance policies and may or may not have included  
 5 some disability insurance?  
 6 MR. MEAGHER: Objection to form.  
 7 A. They purchased the life and annuity  
 8 business of Kentucky Central.  
 9 Q. And were required to administer that  
 10 business going forward?  
 11 A. Yes.  
 12 Q. How many employees were there of  
 13 Kentucky Central in the 1990 time frame?  
 14 A. I couldn't give you an exact figure;  
 15 approximately eight to 900.  
 16 Q. How many employees of Kentucky Central  
 17 became later employed by Jefferson-Pilot?  
 18 A. Again approximately 140.  
 19 Q. What percentage of those folks would  
 20 have been sales folks, if any?  
 21 A. None of those 140 would have been in  
 22 sales.  
 23 Q. They all would have been administrative  
 24 or managerial folks for the life and annuity business?  
 25 A. For the in force block of business,

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1 they would have been in the administration area.  
 2 Q. Were all of those people --  
 3 A. Support services.  
 4 Q. Were all of those people required to  
 5 relocate to North Carolina?  
 6 A. No.  
 7 Q. Were all those people required to not  
 8 relocate but work in North Carolina, as you did?  
 9 A. No. Those folks worked -- those  
 10 employees worked here in Lexington.  
 11 Q. How many people, like you, accepted  
 12 assignments to continue on with Jefferson-Pilot and  
 13 were required to work out of the North Carolina  
 14 location?  
 15 A. I can't give you an exact number.  
 16 Approximately 15 later transferred to North Carolina  
 17 from Lexington.  
 18 Q. Why was it you couldn't perform your  
 19 function here in Central Kentucky?  
 20 A. I was a site manager for the  
 21 Jefferson-Pilot operation here in Lexington until I  
 22 moved to Greensboro in 1999.  
 23 Q. I thought you told me you stayed in  
 24 Kentucky through 2002 as your home.  
 25 A. My home has always remained here in

30

1 Kentucky. I had an apartment in Greensboro and I  
 2 commuted home on weekends.  
 3 Q. Before '99 or only after '99?  
 4 A. No, after '99.  
 5 Q. So from '95 to '99, did you work at a  
 6 facility here in Central Kentucky?  
 7 A. That's correct.  
 8 Q. So your office for Jefferson-Pilot  
 9 resided in North Carolina only from '99 through 2002?  
 10 A. That's correct.  
 11 Q. What caused that change?  
 12 A. I'm not sure --  
 13 Q. Why is it that you were no longer  
 14 working in Central Kentucky for Jefferson-Pilot after  
 15 1999 -- or 1999 and after?  
 16 A. I moved from site manager of the  
 17 Lexington operation to the claims area in Greensboro,  
 18 so my duties changed.  
 19 Q. Can you state your name for the record,  
 20 A. Clyde Honaker, Jr.  
 21 Q. Where do you live, sir?  
 22 A. 3505 Doral Place, Lexington, Kentucky  
 23 40509.  
 24 Q. And you, sir, worked as a vice  
 25 president of claims at Jefferson-Pilot at some point

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1 in your past?  
 2 A. Yes.  
 3 Q. I think you've told me previously that  
 4 your employment with Jefferson-Pilot began in 1995; is  
 5 that right?  
 6 A. That's correct.  
 7 Q. And that's --  
 8 MS. FARABOW: Mr. Honaker, can you  
 9 keep your voice up, please?  
 10 THE WITNESS: I sure will.  
 11 MS. FARABOW: Thank you.  
 12 Q. And the occasion for you to become  
 13 employed by Jefferson-Pilot resulted from  
 14 Jefferson-Pilot purchasing the business of your former  
 15 employer, Kentucky Central?  
 16 MR. MEAGHER: Objection, asked and  
 17 answered. You may answer again.  
 18 A. That's correct.  
 19 Q. Kentucky Central's business had been  
 20 taken over by the state due to some -- for some reason  
 21 and it went out of business?  
 22 A. That's correct.  
 23 MR. MEAGHER: Objection, asked and  
 24 answered. You can answer.  
 25 A. That's correct.

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 Q. At the time that Kentucky Central  
2 stopped selling life insurance policies, you were the  
3 vice president of claims?  
4 A. Yes, sir. That's -- I need to change  
5 that. That is not correct. I was vice president of  
6 claims till sometime in 1993.  
7 Q. And then you became an assistant to  
8 someone who was helping with the liquidation of the  
9 business?  
10 A. I worked with that individual, yes.  
11 Q. Until ultimately the Jefferson-Pilot  
12 transaction occurred and you moved over to  
13 Jefferson-Pilot?  
14 A. That's correct.  
15 Q. What was your role with Jefferson-Pilot  
16 beginning in June of '95?  
17 A. I was the site manager for the  
18 Lexington operation.  
19 Q. What does that mean, site manager?  
20 What were your roles? What was your responsibility?  
21 A. I had overall responsibility for  
22 administering the block of business that was  
23 assumed -- or that was purchased by Jefferson-Pilot  
24 from Kentucky Central in liquidation.  
25 Q. How long did you serve in that

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1 capacity?  
2 A. Until I moved to Greensboro -- until I  
3 transferred to Greensboro, excuse me, in 1999.  
4 Q. What month of '99?  
5 A. I believe it was in April.  
6 Q. So do I understand correctly that you  
7 were essentially the senior manager located here in  
8 Kentucky from '95 to April '99 for the Jefferson-Pilot  
9 operations that remained here?  
10 A. That's correct.  
11 Q. And you reported to somebody who would  
12 have been located in North Carolina with  
13 Jefferson-Pilot?  
14 A. That's correct.  
15 Q. Who was that that you reported to  
16 during that period?  
17 A. Lin Ingram.  
18 Q. What was her role?  
19 A. That's --  
20 Q. Or his role.  
21 A. His role. He was vice president of --  
22 I'm not exactly sure of his title, but he had  
23 responsibility for our operation in Lexington along  
24 with the client services area in Greensboro, North  
25 Carolina, and I'm -- I have no knowledge of what

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1 additional duties he may have had.  
2 Q. From June of '95 to April of 1999, did  
3 you have any responsibilities with regard to  
4 disability insurance?  
5 A. None.  
6 Q. Did you at any point in time, as far as  
7 you know, ever interact with any disability insurance  
8 policyholders?  
9 A. No.  
10 Q. Did you have any interaction with  
11 anybody at Jefferson-Pilot responsible for disability  
12 insurance?  
13 MR. MEAGHER: You're talking the  
14 same period of time as your earlier  
15 question?  
16 MR. ROBERTS: That's right.  
17 A. Repeat the question.  
18 Q. Did you have any interaction from 1995  
19 through April '99 with anyone at Jefferson-Pilot whose  
20 role did concern disability insurance?  
21 A. Not to my knowledge.  
22 Q. I mentioned earlier to you an entity by  
23 the name of Employers Reinsurance out of Missouri or  
24 Kansas or somewhere. Are you familiar with that  
25 company?

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1 A. I'm familiar with the company, yes.  
2 Q. When did you become familiar with that  
3 company?  
4 A. I have no idea when I would have first  
5 learned of Employers Reinsurance, as they have been in  
6 the reinsurance market for years.  
7 Q. So you think maybe predating your  
8 employment at Jefferson-Pilot?  
9 A. Possibly.  
10 Q. Did you ever have any interaction with  
11 anyone associated with Employers Reinsurance during  
12 your employment at Jefferson-Pilot?  
13 A. While in Lexington, no.  
14 Q. How about after Lexington?  
15 A. Yes.  
16 Q. What was nature of your interaction  
17 with folk at Employers Reinsurance?  
18 A. They were the reinsurer on the  
19 disability insurance block along with -- I'm sure they  
20 were a reinsurer on some of the life business.  
21 Q. Are you speculating about the life  
22 business?  
23 A. I'm not absolutely certain.  
24 Q. You know about the disability because  
25 you interacted with Employers Reinsurance with regard

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 to disability insurance; is that correct?  
 2 A. Yes.  
 3 Q. What was the nature and scope of your  
 4 interactions with Employers Reinsurance as it related  
 5 to disability policies of Jefferson-Pilot after April  
 6 of 1999?  
 7 A. I'm not sure that I understand your  
 8 question.  
 9 MR. ROBERTS: I'll have the  
 10 question read it back to you, sir.  
 11 (Reporter read the question.)  
 12 A. I can't give you any specifics of  
 13 anything that we -- you know, that I would have worked  
 14 with them on, but they were the disability reinsurer.  
 15 Q. Sir, within the past 48 hours, have you  
 16 discussed with anybody your interaction with Employers  
 17 Reinsurance as it relates to an administrative  
 18 services agreement that was entered between  
 19 Jefferson-Pilot and Disability Management Services?  
 20 MR. MEAGHER: To the extent you  
 21 had any discussions with counsel, I  
 22 would instruct you not to answer that  
 23 question, but you can answer that  
 24 question as to anyone other than  
 25 counsel.

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1 Q. Sir?  
 2 A. No.  
 3 Q. Did you, sir, have any interaction with  
 4 Employers Reinsurance as it relates to an  
 5 administrative services agreement that Jefferson-Pilot  
 6 entered with Disability Management Services?  
 7 A. Repeat that question, please.  
 8 MR. ROBERTS: Could you read it  
 9 back to the witness, please. Thank  
 10 you.  
 11 (Reporter read the question.)  
 12 A. I don't recall.  
 13 Q. The agreement's actually called a  
 14 claims assessment agreement and it's between  
 15 Jefferson-Pilot and Disability Management Services and  
 16 you purportedly executed it in December of 1999 on  
 17 behalf of Jefferson-Pilot. Does any of that ring a  
 18 bell?  
 19 A. I recall that we did have an agreement  
 20 with Disability Management Services.  
 21 Q. Do you recall that you signed the  
 22 agreement in your capacity at Jefferson-Pilot on its  
 23 behalf?  
 24 A. I believe that I did.  
 25 Q. What was your role at that time?

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1 A. I was the senior claims officer for  
 2 Jefferson-Pilot.  
 3 Q. What was your title, sir, when you  
 4 relocated or at least purchased an apartment in North  
 5 Carolina and moved to the operations in North  
 6 Carolina? What title did you assume?  
 7 A. I rented an apartment in North  
 8 Carolina. My title was vice president of claims.  
 9 Q. And what types of claims fell under  
 10 your supervision?  
 11 A. The life claims, disability claims.  
 12 Q. In April 1999, was that your first time  
 13 in your professional career where you had  
 14 responsibility for disability claims?  
 15 A. As far as I can recall, yes.  
 16 Q. Did you have any training, education,  
 17 experience, anything to help assist you in  
 18 understanding the disability insurance claim field  
 19 prior to April '99?  
 20 A. I took, excuse me, professional claims  
 21 education course work.  
 22 Q. With respect to disability insurance  
 23 specifically?  
 24 A. For all claims.  
 25 Q. Throughout your career?

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1 A. Yes.  
 2 Q. And from time to time you might attend  
 3 some conference or continuing education program and  
 4 they might talk about disability insurance?  
 5 A. That's correct.  
 6 Q. Was your title senior claims officer?  
 7 A. No. It was vice president claims.  
 8 Q. And who did you report to during that  
 9 1999 time?  
 10 A. Charles Cornelio.  
 11 Q. Who is Charles Cornelio?  
 12 A. He's a senior vice president, or he was  
 13 at that time.  
 14 Q. And who did Mr. Cornelio report to?  
 15 A. I'm not certain what his reporting  
 16 relationship would have been.  
 17 Q. But you were the senior officer  
 18 responsible for disability claims beginning in  
 19 April 1999 going forward to May of '02?  
 20 A. Life and disability claims.  
 21 Q. Correct, the senior officer  
 22 responsibility for disability claims --  
 23 A. Yes.  
 24 Q. -- from April of '99 through May of  
 25 '02?

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 A. Yes.  
 2 Q. And it was under your watch that  
 3 Jefferson-Pilot entered a claims assessment agreement  
 4 with Disability Management Services, correct?  
 5 A. That's correct.  
 6 Q. When you accepted the responsibility to  
 7 be the senior officer of claims at Jefferson-Pilot,  
 8 did you undertake any personal effort to try to  
 9 understand the disability insurance market and what it  
 10 was like at that point in time generally?  
 11 A. My primary emphasis was in the life  
 12 claims area because that was the -- well, that was my  
 13 primary emphasis, was on the life claims area and...  
 14 MR. ROBERTS: Could you read back  
 15 my question.  
 16 (Reporter read the question.)  
 17 A. I was aware that we had disability.  
 18 Q. It's just a yes or no question.  
 19 MR. MEAGHER: Excuse me. Do not  
 20 interrupt the witness. You can always  
 21 ask another one. Finish your answer,  
 22 please.  
 23 MR. ROBERTS: Go ahead. Go ahead.  
 24 A. I was aware that we had disability  
 25 income claims in the area at the time that I went to

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1 Greensboro.  
 2 Q. Is that your full answer? I don't want  
 3 to interrupt you.  
 4 A. Yes.  
 5 Q. My question was, did you do anything to  
 6 familiarize yourself with the disability insurance  
 7 market generally when, at the age of 59, you, in your  
 8 first time in your professional career, became  
 9 responsible for disability insurance?  
 10 A. I don't recall having done anything.  
 11 Q. So having worked in the insurance field  
 12 for 24 years without, according to your sworn  
 13 testimony, any responsibility for disability  
 14 insurance, you then become the vice president of  
 15 disability insurance claims, the senior executive  
 16 officer, and your sworn testimony is you didn't make  
 17 any effort to attempt to come to an understanding of  
 18 the disability insurance market generally?  
 19 MR. MEAGHER: Objection to the  
 20 form, argumentative, misstates prior  
 21 testimony and -- there was one other  
 22 thing -- oh, assumes facts not in  
 23 evidence. You can answer.  
 24 THE WITNESS: Repeat the question.  
 25 I'm sorry.

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1 (Reporter read the question.)  
 2 MR. MEAGHER: Excuse me. I'm  
 3 going to repeat my objections and also  
 4 add asked and answered. You can  
 5 answer.  
 6 MR. ROBERTS: Go ahead.  
 7 A. This was a closed block of business  
 8 that Jefferson-Pilot no longer wrote and, again, my  
 9 emphasis was on the life insurance side of the  
 10 business.  
 11 Q. I'm going to try one more time. Did  
 12 you make any effort to educate yourself on the status  
 13 of the disability insurance market generally? Yes or  
 14 no.  
 15 MR. MEAGHER: Objection, asked and  
 16 answered. You can answer.  
 17 A. I don't recall.  
 18 Q. Did you make any effort to educate  
 19 yourself on the status of the disability insurance  
 20 business that Jefferson-Pilot had in place at that  
 21 point in time?  
 22 A. I don't recall anything specifically  
 23 that I did.  
 24 Q. Your familiarity professionally was  
 25 life insurance and that, I think you've testified,

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1 remained your focus from April '99 forward, correct?  
 2 A. That was the primary focus.  
 3 Q. Your responsibility as the senior  
 4 officer of disability insurance was a tag along?  
 5 MR. MEAGHER: Objection to form.  
 6 Q. Correct?  
 7 A. The disability insurance market was a  
 8 closed -- this was a closed block of business that  
 9 Jefferson-Pilot no longer wrote and, again, my primary  
 10 emphasis and most of my time was spent on the life  
 11 insurance side of the business.  
 12 Q. So do I understand your testimony  
 13 correctly that the responsibilities you had for -- as  
 14 a senior executive officer for disability insurance  
 15 claims was really a minor portion of your overall job  
 16 which you viewed principally to be a life insurance  
 17 role? Correct?  
 18 A. That's correct.  
 19 Q. So you didn't spend, as far as you can  
 20 recall, great effort attempting to educate yourself on  
 21 the status of the disability insurance market  
 22 generally or even as it stood specifically at  
 23 Jefferson-Pilot; is that correct?  
 24 A. That was what I had the claim staff --  
 25 I had a claim staff in place that handled the claims

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 on the disability side.  
 2 Q. Who reported to you in 1999?  
 3 A. I'm not sure I understand.  
 4 Q. Do you recall the names of people who  
 5 reported to you between April of '99 and December of  
 6 '99?  
 7 A. Paul Swink, Lydia Tart were two of the  
 8 claim managers that reported directly to me, and I'm  
 9 not sure beyond that if there were others.  
 10 Q. Was there a New Hampshire or Vermont  
 11 located operation that had some reporting up  
 12 responsibility to you?  
 13 A. Yes.  
 14 Q. Who was the person who ran that outfit  
 15 that reported to you?  
 16 A. Cynthia Croft and Jane Neidermeyer.  
 17 Q. Did I get it correct; was it Vermont  
 18 and/or New Hampshire?  
 19 A. It's Concord, New Hampshire.  
 20 Q. Was the functions of the people who  
 21 worked in that office different than the functions of  
 22 the claim people that worked in the North Carolina  
 23 office and, if so, how?  
 24 A. Not that I recall.  
 25 Q. Was that New Hampshire office the

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1 result of a different acquisition that Jefferson-Pilot  
 2 made in its past?  
 3 A. That's correct.  
 4 Q. What company was that that they  
 5 acquired?  
 6 A. I believe it was Chubb Life Insurance  
 7 Company.  
 8 Q. Has Jefferson-Pilot been acquired, as  
 9 we sit here today, or merged with any other entity as  
 10 far as you know?  
 11 A. They are now a part, as I understand  
 12 it, of Lincoln National Life Insurance Company. There  
 13 was one other direct reporting responsibility or a  
 14 person that directly reported to me and that was a  
 15 lady by the name of Judy Sharp here in the Lexington  
 16 office.  
 17 Q. Thank you for recalling that, though.  
 18 You used the word closed block of business. What does  
 19 that mean?  
 20 A. They were no longer actively writing  
 21 that type of insurance.  
 22 Q. I asked you generally and you answered  
 23 specifically. When you say Jefferson-Pilot had this  
 24 closed block of disability insurance, you're saying  
 25 that they had, by April 1999, made a business decision

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1 to stop selling that particular product; is that  
 2 right?  
 3 A. They stopped selling that product at  
 4 some point.  
 5 Q. Do you know when?  
 6 A. I have no idea.  
 7 Q. Were you ever advised of the business  
 8 reasons for making that decision?  
 9 A. No, I was not.  
 10 Q. Were you ever told because it was not  
 11 profitable?  
 12 A. No, I was not.  
 13 Q. Were you ever told that there was a  
 14 problem with claims being made and the business being  
 15 unprofitable?  
 16 A. No, I was not.  
 17 Q. Nothing to that effect?  
 18 A. Not that I recall.  
 19 Q. You didn't inquire as to why they would  
 20 close the block of business?  
 21 A. No, I did not.  
 22 Q. Did you yourself come to some  
 23 conclusions about why that might have been the case?  
 24 A. No.  
 25 Q. You just accepted the fact that it was

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1 closed and they were now your responsibility?  
 2 MR. MEAGHER: Objection to form.  
 3 A. I knew that they had -- that they no  
 4 longer sold that type of business.  
 5 Q. And you made no inquiry into why that  
 6 might be?  
 7 A. No.  
 8 MR. MEAGHER: Objection, asked  
 9 and answered.  
 10 Q. And no one told you --  
 11 MR. MEAGHER: Please wait for me  
 12 to have a chance to object.  
 13 THE WITNESS: I'm sorry.  
 14 MR. MEAGHER: That's okay.  
 15 Q. And no one told you why that might be?  
 16 A. Not that I recall.  
 17 Q. Did you receive any reports -- excuse  
 18 me. Who was in your role before you in your vice  
 19 president of claims role?  
 20 A. I'm not sure.  
 21 Q. You don't know who you succeeded?  
 22 A. I don't know.  
 23 Q. Did you succeed anybody?  
 24 A. I'm not sure of that.  
 25 Q. When you relocated to North Carolina,

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 were there files or boxes of information relating to  
 2 disability insurance claims of the company that was in  
 3 the office that you inherited?  
 4 A. Not that I recall.  
 5 Q. Did there come to be in the office that  
 6 you inherited memoranda, documents that commented on  
 7 the disability insurance business that the company had  
 8 been selling?  
 9 A. Not that I recall.  
 10 Q. If I ask you a whole bunch of  
 11 questions, would the answer always be I don't recall  
 12 on the line of what you know or didn't know, what did  
 13 you come to learn about the company's disability  
 14 insurance business?  
 15 MR. MEAGHER: Objection to form,  
 16 speculation.  
 17 Q. Sir?  
 18 A. I don't know how -- I don't know what  
 19 questions you'll ask.  
 20 Q. Did you ever come to a point in your  
 21 employment at Jefferson-Pilot where you gained  
 22 knowledge of the company's history in the disability  
 23 insurance line of business?  
 24 A. I knew that they exited the market at  
 25 some point.

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1 Q. You've told me that. What else?  
 2 A. And other than that, I don't -- I don't  
 3 recall any background.  
 4 Q. As the senior executive responsible for  
 5 disability insurance claims beginning in April of 1999  
 6 and continuing for three years, your testimony under  
 7 oath is that at no point in time during that period  
 8 did you ever become familiar with the business reasons  
 9 that the company had decided to stop selling  
 10 disability insurance; is that correct?  
 11 MR. MEAGHER: Objection, asked and  
 12 answered, argumentative. You can  
 13 answer.  
 14 A. Not that I recall.  
 15 Q. And you don't recall making any  
 16 specific effort to gain that knowledge, correct?  
 17 MR. MEAGHER: Objection, asked  
 18 and answered several times. You can  
 19 answer it yet again.  
 20 A. That's correct.  
 21 Q. How many hours a week do you think you  
 22 spent on disability insurance claims in that 1999  
 23 period versus doing other things in your role as  
 24 senior executive officer of claims?  
 25 MR. MEAGHER: Objection to form,

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1 assumes facts not in evidence. You can  
 2 answer.  
 3 A. I have no idea.  
 4 Q. Was it more or less than 50 percent on  
 5 average?  
 6 A. Again, as I've stated previously, my  
 7 primary emphasis was on the life side.  
 8 Q. Fair enough. Prior to you signing this  
 9 claims assessment agreement, there must have been some  
 10 type of negotiation between the two parties that  
 11 entered the contract, right?  
 12 MR. MEAGHER: Objection, assumes  
 13 facts not in evidence. You can answer.  
 14 MR. ROBERTS: Go ahead.  
 15 A. Repeat the question.  
 16 Q. Do you have any knowledge of any  
 17 discussion about a claims assessment agreement before  
 18 you signed it on behalf of the company?  
 19 A. I'm sure that I reviewed the agreement  
 20 before signing it.  
 21 Q. Do you have any knowledge of that  
 22 endeavor by you, if you did make that endeavor?  
 23 MR. MEAGHER: Objection to form.  
 24 Q. Sir?  
 25 A. Say it again. Say it again.

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1 Q. You and I agree that you did sign a  
 2 claims assessment agreement on behalf of  
 3 Jefferson-Pilot in your role as senior executive  
 4 officer of the claims department in December of '99,  
 5 right?  
 6 A. I believe I did, but I haven't seen the  
 7 document.  
 8 Q. Why do you believe you did?  
 9 A. You had indicated earlier in the -- in  
 10 this deposition about the agreement.  
 11 Q. Forget about what I indicate. Sitting  
 12 here today --  
 13 A. I believe I signed an agreement with  
 14 DMS at some point. The time or the date I'm not -- I  
 15 have no idea.  
 16 Q. Tell me everything you can recall about  
 17 that agreement that led to your execution of it.  
 18 A. We -- when I say we, I discussed with  
 19 multiple vendors the process of entering into an  
 20 agreement for them to handle our disability claims.  
 21 Q. Okay.  
 22 A. And after reviewing information or  
 23 discussion -- discussing with the vendors the  
 24 possibility of doing this, I made a decision to enter  
 25 into the agreement with DMS.

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 Q. What else?  
 2 A. I don't know.  
 3 Q. I asked you to tell me everything you  
 4 can recall leading up to that agreement.  
 5 A. I believe that I signed the agreement  
 6 at some point in time -- I'm not sure of the date --  
 7 for DMS to handle our disability -- to handle  
 8 disability claims for us, for Jefferson-Pilot.  
 9 Q. What else?  
 10 A. I can't think of anything else at this  
 11 point.  
 12 Q. Let's try to break that down. Was it  
 13 your decision to begin the process of looking for  
 14 vendors to do this work?  
 15 A. As I recall, yes.  
 16 Q. Tell me what led you to make that  
 17 decision.  
 18 A. Finding experienced examiners in the  
 19 Greensboro area was very difficult and I was looking  
 20 to find a vendor that could assist us in handling our  
 21 claims.  
 22 Q. Why were you in the market -- you say  
 23 it was your decision to start looking for vendors.  
 24 Why were you in the market to find a vendor to perform  
 25 this function?

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1 MR. MEAGHER: Objection, asked  
 2 and answered.  
 3 MR. ROBERTS: Go ahead.  
 4 A. To assist us in handling the claims.  
 5 Q. Why did you judge that the company  
 6 needed that assistance?  
 7 A. Based on the volume of claims that we  
 8 had and the staff that we had to handle those claims.  
 9 Q. So this effort was to supplement what  
 10 you had at Jefferson-Pilot or to replace?  
 11 A. It was to replace.  
 12 Q. The persons that were handling the  
 13 claims, Mr. Roberson, Mr. Shelton, some other folks,  
 14 had been performing this function, correct?  
 15 MR. MEAGHER: Objection to form.  
 16 A. Not while I was there as I recall.  
 17 Q. When you were there in Greensboro, was  
 18 there anybody in the employment of Jefferson-Pilot  
 19 there in North Carolina that was managing or  
 20 administrating disability claims?  
 21 A. Yes.  
 22 Q. And you made a decision to take that  
 23 responsibility from those people and contract that out  
 24 to a vendor, correct?  
 25 A. Correct.

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1 Q. What led you to make that decision?  
 2 MR. MEAGHER: Objection, asked  
 3 and answered.  
 4 A. Based on volume of claims and the staff  
 5 that we had to handle those claims in Greensboro.  
 6 Q. So you came in to this job April 1999  
 7 not knowing anything about the business generally or  
 8 the disability business within Jefferson-Pilot and you  
 9 went about the process of performing an assessment of  
 10 whether the existing staff was adequate to handle the  
 11 volume of disability claims; is that your testimony?  
 12 MR. MEAGHER: Objection,  
 13 misstates prior testimony, also assumes  
 14 facts not in evidence. You may answer.  
 15 A. That's correct.  
 16 Q. What did you do to make that  
 17 assessment? Did you go around and interview the  
 18 respective claim persons?  
 19 A. At this time, I don't recall  
 20 specifically what I -- what I did.  
 21 Q. Did you delegate that responsibility to  
 22 someone beneath you to come back and report about  
 23 whether that function should be farmed out or kept  
 24 in-house?  
 25 A. I don't recall.

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1 Q. Do you recall anything about what  
 2 happened to, according to your sworn testimony, lead  
 3 you to conclude in your judgment that that duty should  
 4 be farmed out?  
 5 MR. MEAGHER: Objection, asked  
 6 and answered.  
 7 A. Again, based on the volume of claims  
 8 that we had and the staff that was available.  
 9 Q. How did you come to understand, A, the  
 10 volume of claims and, B, what was required to  
 11 administer that volume given the fact that you had no  
 12 background whatsoever in disability insurance?  
 13 A. I contacted other people in the  
 14 industry to get their assessment on what the number of  
 15 claims that an individual examiner could handle and  
 16 looked at that based on the volume of claims that we  
 17 had in our company.  
 18 Q. Who did you contact?  
 19 A. I knew you were going to ask that. I  
 20 don't remember the companies, but there were several.  
 21 I made several contacts in the industry.  
 22 Q. So this would have been May, June of  
 23 '94?  
 24 A. No.  
 25 Q. Excuse me, '99.

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 A. I'm not sure of the time frame on it.  
 2 Q. Was it one of the first things you did  
 3 when you took this responsibility in April of '99?  
 4 A. That I don't recall.  
 5 Q. You don't recall who you spoke to?  
 6 A. That's correct.  
 7 Q. You don't recall who you spoke to  
 8 within the company about this particular endeavor?  
 9 MR. MEAGHER: Objection, asked and  
 10 answered.  
 11 Q. Right?  
 12 A. We had our -- I'm sure there were  
 13 discussions with my existing claims staff.  
 14 Q. Was there already underway at the time  
 15 you became the senior officer for disability claims --  
 16 MR. MEAGHER: Go off the record a  
 17 second.  
 18 (A break was taken.)  
 19 MR. MEAGHER: Ms. Farabow is  
 20 departing the deposition at this time.  
 21 Q. You're still under oath. You realize  
 22 that?  
 23 A. Yes.  
 24 Q. What was the ratio of claims that you  
 25 came to assess somehow, some way? How many claims

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1 were there per claims examiner?  
 2 A. I don't recall the number, but in  
 3 contacting --  
 4 MR. ROBERTS: Move to strike for  
 5 hearsay, but go ahead.  
 6 A. -- contacting other people in the  
 7 industry, I came to understand that the average  
 8 workload per examiner should range between 75 and 125  
 9 open claims.  
 10 Q. So you don't recall much of anything  
 11 about what you came to know, learned, investigated or  
 12 were educated about disability insurance, but now you  
 13 can tell me specifically to the number of claims how  
 14 many claims a claim examiner should have in a  
 15 disability insurance department; is that right?  
 16 MR. MEAGHER: Objection to form,  
 17 argumentative, misstates prior  
 18 testimony, assumes facts not in  
 19 evidence. You can answer.  
 20 A. I recall --  
 21 MR. MEAGHER: Oh, I'm sorry.  
 22 Asked and answered, too.  
 23 MR. ROBERTS: Wait. Let's give  
 24 Mr. Meagher some more time. Are you  
 25 concluded?

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1 MR. MEAGHER: That's fine. I'm  
 2 done.  
 3 A. I recall those numbers, yes.  
 4 Q. So the one piece of information that  
 5 you do recall about disability insurance from 1999 is  
 6 that number, right?  
 7 A. I recall that number.  
 8 Q. What was the ratio inside  
 9 Jefferson-Pilot?  
 10 MR. MEAGHER: Objection, asked  
 11 and answered. You can answer.  
 12 A. I don't recall the number, but it was  
 13 in excess of that number.  
 14 Q. Do you know that you -- the agreement  
 15 requires that you pay a certain flat fee or some money  
 16 to DMS to perform the function?  
 17 A. Yes.  
 18 Q. Why didn't you just hire more employees  
 19 at Jefferson-Pilot to spread the workload allegedly?  
 20 MR. MEAGHER: Objection to form.  
 21 A. Repeat that. I don't understand your  
 22 question.  
 23 Q. Well, let's assume that there was a  
 24 concern about these claim examiners being overworked.  
 25 Just assume that as a fact. Why did you not just add

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1 more people to the department?  
 2 A. The availability of -- there was not  
 3 the availability of experienced disability income  
 4 examiners in the Greensboro area.  
 5 Q. Why did you take the responsibility  
 6 from those persons there at Jefferson-Pilot?  
 7 MR. MEAGHER: Objection, asked and  
 8 answered.  
 9 A. Because of volume of claims and  
 10 inadequate or -- and the staffing level that we had at  
 11 Jefferson-Pilot.  
 12 Q. I've taken those persons' depositions.  
 13 They worked there for several years. They worked in  
 14 claims for several years. They could have continued  
 15 in that same role with allegedly a lighter workload  
 16 and had their workload supplemented by DMS, couldn't  
 17 they?  
 18 MR. MEAGHER: Objection to form,  
 19 calls for speculation. You can answer.  
 20 A. I suppose it could have been done that  
 21 way but --  
 22 Q. And what --  
 23 MR. MEAGHER: Excuse me. Are you  
 24 done with your answer, sir?  
 25 THE WITNESS: Yes.

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 MR. ROBERTS: I'm sorry,  
2 Mr. Meagher.  
3 MR. MEAGHER: Are you done with  
4 your answer? Did he interrupt you?  
5 WITNESS: Yes.  
6 Q. I interrupted you or you're done?  
7 A. No, I'm done.  
8 Q. You told me that it was a closed block  
9 of business, so one would assume that the claim volume  
10 would be decreasing, right? Isn't that what happens  
11 with a closed block?  
12 A. Not necessarily.  
13 Q. Your testimony under oath is that  
14 claims may be an increasing factor on a closed block  
15 of insurance?  
16 MR. MEAGHER: Objection, asked  
17 and answered. You can answer.  
18 Q. Is that your testimony?  
19 A. It doesn't necessarily mean that the  
20 claims volume will decrease.  
21 Q. But you knew it was a closed block and  
22 it was closed before April '99, right?  
23 A. That's correct.  
24 Q. You would reasonably assume that even  
25 if -- let's assume it's true -- even if the claims

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1 examiners had a ratio of claims that was higher than  
2 industry norm that it would be decreasing. That would  
3 be the reasonable assumption, wouldn't it?  
4 MR. MEAGHER: Objection, asked and  
5 answered.  
6 A. Not necessarily.  
7 Q. The more reasonable assumption would be  
8 that on a closed block claim volume per claim examiner  
9 would increase over time; is that your sworn  
10 testimony?  
11 MR. MEAGHER: Objection, asked and  
12 answered. You can answer.  
13 A. What I say -- said was that it wouldn't  
14 necessarily decrease.  
15 Q. What would be the reasonable assumption  
16 for a person in the senior executive capacity, a vice  
17 president of disability claims? Would it be more  
18 reasonable that claims would decrease over time on a  
19 closed block or it would be more reasonable that  
20 claims would increase over time on a closed block?  
21 A. I would think it would depend on the  
22 time that you're talking about. I would think that  
23 you could have an increase in claims for a period of  
24 time and as you have runoff on your in force block of  
25 business, at some point it may decrease, but because

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1 you have an in force block of business doesn't mean  
2 that you won't be receiving additional claims even if  
3 that block is closed.  
4 Q. You don't have a comfort level to  
5 answer my question whether a senior executive officer,  
6 vice president of claims, would reasonably conclude  
7 that claims would likely decrease over time on a  
8 closed block instead of increase --  
9 MR. MEAGHER: Objection to form.  
10 Q. -- is that right?  
11 MR. MEAGHER: Objection to form.  
12 He answered the question. Asked and  
13 answered. You can answer again.  
14 A. Over time in the short run, that's not  
15 necessarily correct. Over a long period of time, that  
16 may be correct.  
17 Q. So on this closed block of business for  
18 which you had no prior experience, you made the  
19 conclusion that the persons responsible for claim  
20 management at Jefferson-Pilot who had been there for  
21 years and years and years needed to have those  
22 responsibilities taken from them and moved over to a  
23 vendor even though it was a closed block of business;  
24 is that correct?  
25 MR. MEAGHER: Objection, asked and

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1 answered.  
2 A. My decision was to move the claims to a  
3 vendor.  
4 Q. Is that your response to my question?  
5 A. Yes.  
6 Q. And it had nothing to do with the fact  
7 that it was just a closed block that you wanted to  
8 farm out the claim management, the only reason was to  
9 reduce the workload on these people who were going to  
10 be losing those responsibilities as a result; is that  
11 right?  
12 MR. MEAGHER: Objection to form.  
13 A. Repeat the question.  
14 Q. Your decision, your decision, to begin  
15 the process of looking for a vendor to take over claim  
16 management had nothing to do with the fact that that  
17 block of business was closed, but rather had only to  
18 do with your assessment, given all of your background,  
19 that the ratio of claims to claim examiner was too  
20 great; is that your testimony?  
21 A. The ratio of claims to claim examiner  
22 was too great. With the difficulty of hiring  
23 experienced examiners in the Greensboro area, my  
24 decision was to relocate this to a vendor for  
25 handling.

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 Q. And that was the only decision that  
2 directed you to look for a vendor? Excuse me. That  
3 was the only consideration that directed you to look  
4 for a vendor, true?

5 A. I don't recall anything else at this  
6 point.

7 Q. What efforts did you make to look for  
8 somebody in the Greensboro area to add to the staff?

9 A. I don't recall at this time.

10 Q. You had never lived in the Greensboro  
11 area before, right?

12 A. That's correct.

13 Q. And in your past you never made any  
14 evaluations of what type of person would be good,  
15 experienced, bad, not experienced in handling  
16 disability insurance claims, right?

17 A. There were no other companies in the  
18 Greensboro area that handled disability claims --

19 Q. That wasn't my --

20 A. -- that we could draw on to get  
21 experienced staff.

22 Q. That wasn't my question. My question  
23 was isn't it true that you had no experience in your  
24 past evaluating persons for hire to perform disability  
25 insurance claim management. Isn't that correct?

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1 A. That's correct.

2 Q. And you never worked in the Greensboro  
3 area before, correct?

4 A. That's correct.

5 Q. And you can't recall whether you put an  
6 ad in the newspaper or solicited resumes for persons  
7 to join the department in Greensboro, correct?

8 A. That was in 1999. If we had ads in the  
9 paper, I don't recall.

10 Q. Who told you that the claim volume was  
11 75 to 125 per examiner?

12 A. Individuals in the industry.

13 Q. Who?

14 A. I can't recall names.

15 Q. Did someone report to you what the  
16 claim volume was at Jefferson-Pilot?

17 A. I'm sure at the time I had information  
18 on claim volumes.

19 Q. Were there persons doing disability  
20 claim management in New Hampshire?

21 A. Yes.

22 Q. Were their responsibilities taken away  
23 from them?

24 A. No.

25 Q. Did you assess the ratio of their

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1 claims per examiner?

2 A. Yes.

3 Q. Was theirs too high?

4 A. No.

5 Q. You could have sent some of the North  
6 Carolina claim management responsibility to New  
7 Hampshire, couldn't you, spread the work?

8 A. Yes.

9 Q. That would have been cheaper than  
10 paying some third-party vendor to do that, wouldn't  
11 it?

12 MR. MEAGHER: Objection, calls for  
13 speculation. You can answer.

14 A. Some of the claims were transferred to  
15 New Hampshire.

16 Q. Were there a lot of lawsuits filed  
17 against Jefferson-Pilot because its claim examiners  
18 were making all kinds of mistakes in their claim  
19 management because they were overworked?

20 A. I don't recall any litigation on the  
21 disability side.

22 Q. So you don't recall that the company  
23 was being sued for making mistakes in the management  
24 of disability claims, correct?

25 MR. MEAGHER: Objection, asked and

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1 answered.

2 A. Correct.

3 Q. Were there a bunch of policyholders  
4 complaining about mistakes being made once you became  
5 the senior executive officer that led you to believe,  
6 oh, my gosh, there's a whole bunch of mistakes being  
7 made, these people are overworked, we need to get  
8 somebody else in here to do this work? Did that  
9 happen?

10 A. I don't recall.

11 Q. Do you recall any time anybody  
12 reporting to you that a mistake had been made by one  
13 of your subordinates in the claims department?

14 A. I don't recall anyone telling me about  
15 any specific mistake, but...

16 Q. Was there any temp --

17 MR. MEAGHER: Excuse me. You done  
18 with your answer?

19 MR. ROBERTS: Relax. Go ahead.

20 A. But we're all human.

21 Q. Right. Was there any temporary work --  
22 temporary employees that were hired, or did the  
23 company ever draw from other people in the company to  
24 come help out in the claims department if the persons  
25 there were being overworked? Do you recall that?

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 A. There may have been an attempt to get  
 2 temporary help at one time, but I'm not positive of  
 3 that.  
 4 Q. You can only testify to what you know  
 5 here today.  
 6 A. Okay.  
 7 Q. I don't want you to guess.  
 8 A. Okay.  
 9 Q. Do you recall, sitting here today, that  
 10 that effort was undertaken?  
 11 A. Not for sure.  
 12 Q. Was there any memoranda or maybe email  
 13 in 1999 that comments on the fact that the department  
 14 is overworked and we need to do something about it,  
 15 which may include sending claims to a vendor?  
 16 A. I don't recall any email or written  
 17 communication about that.  
 18 Q. Did you need to communicate with your  
 19 boss to convince him or persuade him that this -- we  
 20 needed to take these claim management function which  
 21 had resided at Jefferson-Pilot for years and years and  
 22 years and move it to somebody else and the reasons  
 23 that that was required?  
 24 A. He would have been aware that I was  
 25 looking for a vendor.

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1 Q. Not my question. Did you create any  
 2 documents whatsoever to justify the company's expense  
 3 to go hire this vendor?  
 4 A. Not that I know of.  
 5 Q. Did you create any memoranda to your  
 6 boss in this new role that you had never served in  
 7 before that would justify the decision you say you  
 8 made to take from these long-time employees their  
 9 responsibility of claim management?  
 10 A. Not that I know of.  
 11 Q. So there is not a document that you're  
 12 aware of that comments at all on this issue which you  
 13 testify under oath existed about this overwork of the  
 14 claim department and the ratio?  
 15 MR. MEAGHER: Objection to form.  
 16 Q. Right?  
 17 A. I'm not aware of a document -- of any  
 18 document in that regard.  
 19 Q. And you can't recall creating a  
 20 document that would have commented on that subject in  
 21 any regard --  
 22 MR. MEAGHER: Objection --  
 23 Q. -- is that correct?  
 24 MR. MEAGHER: Objection, asked and  
 25 answered.

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1 A. That's correct.  
 2 Q. Was it generally the case that you  
 3 could reorganize the work responsibilities of a whole  
 4 group of people and incur significant expense to the  
 5 company without seeking approval from a supervisor or  
 6 at least documenting the reasons justifying that  
 7 decision? Did that occur regularly at  
 8 Jefferson-Pilot?  
 9 MR. MEAGHER: Objection to form,  
 10 assumes facts not in evidence. You can  
 11 answer.  
 12 THE WITNESS: Read the question.  
 13 I'm sorry.  
 14 MR. MEAGHER: Counselor, I can  
 15 hear your conversation. You might want  
 16 to lower your voice. I can still hear  
 17 it. Still hear it, sir. I just want  
 18 to make sure that the confidential  
 19 communication is reserved. You want us  
 20 to leave the room while you talk to  
 21 your client, sir? We can leave the  
 22 room if you want. I'll tell you what,  
 23 let's take a break. We'll leave the  
 24 room. Come on, sir. We'll take a  
 25 five-minute break and we'll come back

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1 when he's done talking with his client.  
 2 (A break was taken.)  
 3 (Reporter read the question.)  
 4 MR. MEAGHER: Objection to the  
 5 form, asked and answered,  
 6 argumentative. You can answer.  
 7 A. It was my decision to go with the  
 8 third-party administrator.  
 9 Q. Do you recall any discussions with  
 10 anybody at the company about that decision that you  
 11 say you made?  
 12 A. I don't recall one at this point, no.  
 13 Q. Either to get their judgment or get  
 14 their approval, right?  
 15 A. I would have discussed doing this with  
 16 my immediate superior before doing it.  
 17 Q. Who's that?  
 18 A. Charles Cornelio.  
 19 Q. Do you recall specifically that you did  
 20 that?  
 21 A. I don't recall specifically.  
 22 Q. Do you recall specifically having any  
 23 conversations with anybody about this decision you say  
 24 you made for these reasons you say you made them prior  
 25 to executing the agreement with DMS?

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 A. I don't recall anyone specifically, no.  
 2 Q. Do you recall there being any memoranda  
 3 commenting on your decision to enter this agreement  
 4 with DMS prior to the date that you entered it with  
 5 DMS?  
 6 A. I don't know of any memoranda.  
 7 Q. Any letter, any document, any note, any  
 8 email, anything?  
 9 A. I don't recall any.  
 10 Q. So you come in in April. You have no  
 11 experience with disability insurance. You say you  
 12 went about the process of coming to some understanding  
 13 about claim volume. You say you investigated with  
 14 others. You say you had a conversation with your  
 15 boss. Then you went about the process of identifying  
 16 potential third-party administrators. Is that  
 17 correct?  
 18 MR. MEAGHER: Objection, asked and  
 19 answered.  
 20 A. I did --  
 21 Q. Okay.  
 22 A. -- evaluate other -- or I did evaluate  
 23 third-party administrators, yes.  
 24 Q. But you had to have come to some -- you  
 25 had to perform some exercise of identifying the field,

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1 correct?  
 2 MR. MEAGHER: Objection to form.  
 3 A. I had to determine who -- what  
 4 third-party administrators were out there --  
 5 Q. Right.  
 6 A. -- that did this type of work.  
 7 Q. Do you recall performing that exercise?  
 8 A. I'm sure that I did.  
 9 Q. Do you recall performing that exercise?  
 10 A. Yes.  
 11 Q. You recall, sitting here today, you  
 12 actually doing that?  
 13 A. I contacted other -- I contacted  
 14 third-party administrators that do this type of work.  
 15 Q. And you're not guessing based on the  
 16 way you went about doing your job, you're saying here  
 17 today, March 8, 2007, you recall having actually  
 18 spoken to other third-party administrators about the  
 19 possibility of them being your vendor, correct?  
 20 A. Yes.  
 21 Q. Who did you call?  
 22 A. I talked to DMS as one. There were two  
 23 or three in total that I called and talked to and at  
 24 this point, I can't remember their name.  
 25 Q. You do recall, sitting here today,

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1 March 8, 2007, that you had a conversation with  
 2 persons other than DMS?  
 3 A. Yes.  
 4 Q. You recall that sitting here, but you  
 5 can't recall who it was?  
 6 A. I can't recall the name of the company.  
 7 Q. Did you contact DMS and these other  
 8 entities at or about the same time?  
 9 A. At around the same time, yes.  
 10 Q. Did you have any discussion with  
 11 anybody at Employers Reinsurance about this exercise  
 12 that you were undertaking?  
 13 A. Not that I recall.  
 14 Q. Weren't they the reinsurer on the  
 15 disability?  
 16 A. Yes.  
 17 Q. Did they have any interest as far as  
 18 you were concerned in who might be the management  
 19 company on the claims?  
 20 A. I don't recall them -- any conversation  
 21 about that, no.  
 22 Q. But sitting here today, I mean you  
 23 would agree with me that they would have an interest  
 24 in who's administering the claims on which they have  
 25 financial responsibility, right?

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1 A. There would be an interest.  
 2 Q. Your testimony under oath is you can't  
 3 recall having any interaction with them?  
 4 A. I don't recall any at this point, no.  
 5 Q. Does it make sense that you would have?  
 6 MR. MEAGHER: Objection to form,  
 7 speculation.  
 8 A. May have.  
 9 Q. I mean, it's logical that you would at  
 10 least advise the person with financial responsibility  
 11 of what you were doing, right?  
 12 A. I don't know how to answer your  
 13 question. Say it -- could you rephrase that, please?  
 14 Q. It's logical that you would at least  
 15 advise, keep somebody abreast of, without seeking  
 16 their authority potentially, at least advise them of  
 17 what you were doing with regard to this block of  
 18 business for which they had financial responsibility,  
 19 right?  
 20 A. It's logical.  
 21 Q. And I think you testified earlier you  
 22 did have some interaction with them during the course  
 23 of 1999, them being Employers Reinsurance, right?  
 24 A. I'm sure we did.  
 25 Q. Certainly you would have discussed with

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 them the fact that you were entering this agreement  
 2 before you entered it, true?  
 3 MR. MEAGHER: Objection, asked and  
 4 answered.  
 5 A. I don't recall specifically that I did  
 6 that.  
 7 Q. It makes sense, though, that you would  
 8 have, doesn't it?  
 9 A. I just -- I don't -- I don't recall  
 10 doing it.  
 11 Q. I'm not asking you if you recall doing  
 12 it. I'm just asking you, sitting here today, doesn't  
 13 it make sense that you would have.  
 14 A. This was a contract between  
 15 Jefferson-Pilot and DMS.  
 16 Q. Involving --  
 17 MR. MEAGHER: Excuse me. Go  
 18 ahead. Go ahead with your answer.  
 19 A. It was a -- you know, an agreement  
 20 between Jefferson-Pilot and DMS. I don't recall  
 21 getting anyone's -- any other party's approval to  
 22 enter into this agreement.  
 23 Q. Who had the financial responsibility  
 24 for the claims which were the subject of the claims  
 25 assessment agreement?

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1 A. Jefferson-Pilot.  
 2 Q. Not Employers Reinsurance?  
 3 A. They were the reinsurer.  
 4 Q. Doesn't it make sense -- sitting here  
 5 today, don't you agree with me that it would make  
 6 sense that a person that was farming out the claims  
 7 management on the reinsurer's claims would at least  
 8 advise the reinsurer?  
 9 MR. MEAGHER: Objection, asked  
 10 and answered. You can answer.  
 11 A. I don't recall doing it.  
 12 Q. So you don't recall any interaction  
 13 with Employers Reinsurance regarding farming out the  
 14 claims management prior to entering the agreement with  
 15 DMS; is that correct?  
 16 A. I don't recall.  
 17 Q. Well, let's go back to the beauty  
 18 pageant. There's DMS and there was allegedly two  
 19 other companies -- one or two other companies whose  
 20 names you can't recall, right?  
 21 MR. MEAGHER: Objection, asked and  
 22 answered. You can answer.  
 23 A. There was DMS and there were one or two  
 24 other companies. Not allegedly, there were one or two  
 25 other companies. I can't remember the name of them at

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1 this point.  
 2 Q. So how did this occur? You got their  
 3 phone numbers somewhere and you just made a phone  
 4 call?  
 5 A. This was back in 1999. I don't recall  
 6 the exact process that I went through.  
 7 Q. Did you send out a request for a  
 8 proposal?  
 9 A. Not that I recall.  
 10 Q. Did you send any written correspondence  
 11 to these two or three entities?  
 12 A. Not that I recall.  
 13 Q. Did you send them any email  
 14 communications?  
 15 A. Not that I recall.  
 16 Q. Did you make any notes of your  
 17 communications?  
 18 A. Not that I recall.  
 19 Q. Did they send you any materials or  
 20 information or data to support why they should win the  
 21 beauty pageant?  
 22 A. This is much more serious than a beauty  
 23 pageant. This is trying to get assistance in handling  
 24 disability claims.  
 25 Q. Correct. And you would think it would

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1 make sense on something that's much more serious than  
 2 a beauty pageant that there would be some memo, some  
 3 request for proposals, some materials that were  
 4 provided to you by the participants in this thing  
 5 that's far more serious than a beauty pageant, right?  
 6 A. I simply don't recall.  
 7 Q. Did you create a file about this  
 8 exercise or this endeavor that you supposedly  
 9 undertook?  
 10 A. I don't recall.  
 11 Q. So you don't recall receiving any  
 12 documentation or data from DMS or these other two  
 13 supposed prospective vendors at any point in time in  
 14 1999?  
 15 A. I don't recall receiving anything.  
 16 Q. Do you recall having any conversations  
 17 with anyone at DMS?  
 18 A. I'm sure there were conversations with  
 19 regard to completing the agreement.  
 20 Q. Do you recall any conversations you had  
 21 with anybody at DMS?  
 22 A. No.  
 23 Q. Do you recall today what impressed you  
 24 about DMS?  
 25 A. The experienced staff.

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 Q. You recall that much. All the things  
 2 you don't recall, you recall that. Who told you they  
 3 were an experienced staff?  
 4 A. In conversations with DMS.  
 5 Q. With whom?  
 6 A. I don't --  
 7 Q. Okay.  
 8 A. I don't remember anyone's name from DMS  
 9 at this point.  
 10 Q. Let me make sure I'm in the same plane  
 11 with you. In this exercise, which must have begun  
 12 shortly after April '99, coming to an assessment of  
 13 the status of the department, coming to an assessment  
 14 of the ratio, trying to identify particular vendors,  
 15 interacting with particular vendors, narrowing down  
 16 the field, making the decision to go with DMS,  
 17 negotiating the agreement with DMS and signing an  
 18 agreement with DMS, throughout that entire process --  
 19 are you with me --  
 20 A. Yes.  
 21 Q. -- you don't -- you can't give me the  
 22 name of any single person that you spoke to relating  
 23 to any of those things along that time line; is that  
 24 correct?  
 25 MR. MEAGHER: Objection to form,

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1 argumentative, asked and answered. You  
 2 can answer.  
 3 A. I don't recall names, but I'm terrible  
 4 at remembering names. I don't recall anyone at DMS.  
 5 Q. And other than the agreement itself,  
 6 you don't recall there existing at any point in time  
 7 along that time line with all those functions being  
 8 performed -- you don't recall the existence of a note,  
 9 a memo, a letter, a memorandum, any document relating  
 10 to any of those things you allegedly did during that  
 11 year, correct?  
 12 A. I don't recall having any.  
 13 Q. But you do recall in your conversation  
 14 with DMS that someone told you that they were  
 15 experienced, right? Correct?  
 16 A. Yes.  
 17 Q. Can't recall who it was that told you  
 18 that?  
 19 MR. MEAGHER: Objection, asked  
 20 and answered several times.  
 21 Q. Right?  
 22 A. I don't recall.  
 23 Q. What else did the person say in that  
 24 conversation?  
 25 MR. MEAGHER: Objection, assumes

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1 facts not in evidence. You can answer.  
 2 A. The staffing that they had there was  
 3 adequate in order to assume additional work.  
 4 Q. Did the other vendors say that they  
 5 were experienced?  
 6 A. I'm sure they did.  
 7 Q. Did they say they had adequate staff to  
 8 do the work?  
 9 A. That was a concern of mine.  
 10 Q. They told you they didn't have adequate  
 11 staff to do the work?  
 12 A. A concern of mine was the staffing  
 13 level.  
 14 Q. At the other entities?  
 15 A. Yes.  
 16 Q. Tell me about that. How was DMS  
 17 different than the other entities?  
 18 A. Was the staffing that they had in  
 19 place, the experienced staffing that they had in place  
 20 in order to handle this -- these claims that we --  
 21 that would be sent to them.  
 22 Q. What information did you have before  
 23 you to make that judgment?  
 24 A. I don't recall at this time what it  
 25 was, but there were discussions on it.

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1 Q. So each of the vendors told you -- DMS  
 2 said, we have adequate staff. We can do it. The  
 3 other vendors told you, we don't have adequate staff.  
 4 We can't do it.  
 5 A. There was a concern whether they could  
 6 do it or not, yes.  
 7 Q. Based on something they told you?  
 8 A. Yes.  
 9 Q. Well, certainly they didn't tell you,  
 10 we don't have the capacity to do it, did they?  
 11 A. They may have. I don't recall.  
 12 Q. Do you recall anything specifically  
 13 that any of the other prospective vendors told you?  
 14 A. Not at this time. Again, that was  
 15 eight years ago. I don't recall, you know, the  
 16 conversations.  
 17 Q. Had you ever entered a claims  
 18 assessment agreement before?  
 19 A. No.  
 20 Q. Did you draft the agreement?  
 21 A. No, I did not.  
 22 Q. Did you negotiate the agreement?  
 23 A. Yes.  
 24 Q. Did anybody participate with you in the  
 25 negotiation of the agreement?

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 A. I don't recall anyone, but as with any  
 2 agreement, it would be reviewed by the legal  
 3 department before I would sign it.  
 4 Q. So you're guessing, but you're  
 5 guessing, based on past experience, that you would  
 6 have shared a draft or a proposal or prospective  
 7 agreement with the legal department at Jefferson-Pilot  
 8 before on your own part executing on behalf of the  
 9 company, right?  
 10 A. I would have had it reviewed, as I  
 11 would any legal document before I would sign it.  
 12 Q. Do you recall the lawyer you engaged at  
 13 Jefferson-Pilot to do that?  
 14 A. No, I do not.  
 15 Q. Do you recall seeking anybody else's  
 16 counsel about the terms of the agreement? Not legal  
 17 counsel, but advice.  
 18 A. I don't recall anyone else.  
 19 Q. Do you recall any negotiation of any  
 20 specific points in the agreement?  
 21 A. Not at this point, no.  
 22 Q. Did you feel, as the senior executive  
 23 officer of claims, that you had a duty to the  
 24 policyholders of any sort?  
 25 A. You always have a duty to

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1 policyholders.  
 2 Q. You wanted to make certain -- make  
 3 absolutely certain for yourself that when this company  
 4 came to be responsible for administering claims that  
 5 they would treat policyholders professionally,  
 6 respectfully and in good faith, true?  
 7 A. Yes.  
 8 Q. What information did you have to come  
 9 to this decision in your own mind that DMS would  
 10 satisfy those concerns?  
 11 A. I simply don't recall at this --  
 12 Q. Anything at --  
 13 MR. MEAGHER: Excuse me.  
 14 MR. ROBERTS: Relax.  
 15 MR. MEAGHER: Go ahead.  
 16 A. I simply don't recall at this time.  
 17 Q. Anything other than what they told you?  
 18 A. I feel certain that I would have talked  
 19 to other companies that use them.  
 20 Q. Did you know that Jefferson-Pilot had  
 21 used DMS in the past?  
 22 A. I don't recall that, no.  
 23 Q. Did you know that Employers Reinsurance  
 24 uses DMS for Jefferson-Pilot policies that it  
 25 reinsures as well as other insurance companies'

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1 policies that it reinsures?  
 2 A. Please repeat that.  
 3 Q. Can't. I'll do it. Did you know that  
 4 Employers Reinsurance had a business relationship with  
 5 DMS with respect to not just policies that they  
 6 reinsure of Jefferson-Pilot but policies that they  
 7 reinsure on behalf of other insurers?  
 8 MR. MEAGHER: Objection, assumes  
 9 facts not in evidence. You can answer.  
 10 A. I know that now. I don't know that I  
 11 knew it in 1999.  
 12 Q. So getting back to my question about  
 13 this duty that you had that you placed on yourself to  
 14 be absolutely certain that this company would treat  
 15 Jefferson-Pilot policyholders in good faith, you  
 16 relied, as near as I can tell, on what DMS told you  
 17 and what else?  
 18 MR. MEAGHER: Objection, asked and  
 19 answered.  
 20 A. Discussion with others in the industry.  
 21 Q. Others --  
 22 A. That utilized DMS.  
 23 Q. Whose names, I suspect, you can't  
 24 recall?  
 25 A. I would have no idea --

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1 Q. Companies --  
 2 A. -- today.  
 3 Q. Companies you can't recall?  
 4 A. No.  
 5 Q. Did you retain the title of vice  
 6 president of claims, senior executive officer, for  
 7 that particular function as it relates to disability  
 8 insurance after December 1999?  
 9 A. My position at Jefferson-Pilot was vice  
 10 president claims from nineteen -- from April of 1999  
 11 through April 30th or May 1st of 2002.  
 12 Q. And for that whole period of time, did  
 13 it include responsibility for disability insurance  
 14 claims?  
 15 A. That was part of my responsibility.  
 16 Q. What was your interaction with DMS from  
 17 January 1 of 2000 through your retirement date from  
 18 Jefferson-Pilot?  
 19 A. Repeat that question.  
 20 Q. What was your interaction with DMS?  
 21 A. I don't know what you mean by the  
 22 question.  
 23 Q. Did you require as a senior executive  
 24 officer with a duty of good faith for these  
 25 policyholders whose claims were pending with

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 Jefferson-Pilot but being administered by DMS?  
 2 MR. MEAGHER: Objection to form,  
 3 argumentative.  
 4 MR. ROBERTS: It's way too long  
 5 and confusing, too. I'd object to it  
 6 as well. Let me start over.  
 7 THE WITNESS: Okay.  
 8 Q. January 1, 2000 through May 31, 2002,  
 9 you were the vice president of claims, which included  
 10 responsibility for disability insurance claims, true?  
 11 A. That was part of my responsibility  
 12 except you have the dates wrong. It was through  
 13 April 30th or May 1 of 2002 when I left  
 14 Jefferson-Pilot.  
 15 Q. Let's make the record correct, then.  
 16 For the period January 1, 2000 through at least  
 17 April 30th of 2002, you were the vice president of  
 18 claims, which meant you were the senior officer with  
 19 responsibility for disability insurance claims at  
 20 Jefferson-Pilot, true?  
 21 MR. MEAGHER: Objection, asked and  
 22 answered.  
 23 Q. True?  
 24 A. That's correct.  
 25 Q. And during that period of time, the

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1 claim management was being performed by DMS, correct?  
 2 A. They were -- they were the third-party  
 3 administrator for the disability claims.  
 4 Q. They were administering the claims on  
 5 a closed block of business during that period,  
 6 correct?  
 7 A. On some of the claims, yes.  
 8 Q. Those claims with a monthly indemnity  
 9 value of in excess of \$2,000, correct?  
 10 A. That I don't recall.  
 11 Q. Who was administering the claims that  
 12 DMS wasn't?  
 13 A. Those were being handled in the  
 14 Concord, New Hampshire, claims office.  
 15 Q. Because they related to policies sold  
 16 by some insurance company other than Jefferson-Pilot  
 17 prior to the time that Jefferson-Pilot acquired that  
 18 entity, true?  
 19 A. In addition, some of the disability  
 20 claims from Jefferson-Pilot were also being handled in  
 21 Concord, New Hampshire, at the claims office there.  
 22 Q. What was the factor that led a claim to  
 23 be managed by DMS versus the New Hampshire operation?  
 24 A. Again, there wasn't many claims that  
 25 went to New Hampshire as I recall, only what they had

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1 the capacity to handle.  
 2 Q. So if New Hampshire had the capacity to  
 3 handle a claim regardless of its monthly indemnity  
 4 value, even if it was a policy sold by  
 5 Jefferson-Pilot, if New Hampshire had the capacity,  
 6 they got the claim, but if they didn't have the  
 7 capacity, it was kind of an overflow situation, the  
 8 claim would go to DMS; is that your testimony?  
 9 A. No, it's not. When the decision was  
 10 made to use a third-party administrator, some of those  
 11 claims went to DMS, some of those claims went to  
 12 Concord, New Hampshire. The number that went to  
 13 Concord was based on their capacity to handle those  
 14 claims.  
 15 Q. It wasn't based on who the insurance  
 16 company was that sold the policy, right?  
 17 A. No.  
 18 Q. And it wasn't based on who the  
 19 reinsurer was, right?  
 20 A. That's correct.  
 21 Q. The prior question was negative  
 22 negative. It wasn't dependent on what company sold  
 23 the policy to the policyholder?  
 24 A. The policies we're talking about are  
 25 policies that were sold by Jefferson-Pilot.

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1 Q. So a Jefferson-Pilot policy sold to a  
 2 policyholder after January 1 of 2000 may end up for  
 3 administration in New Hampshire within a  
 4 Jefferson-Pilot office or may end up at DMS, right?  
 5 A. That's not correct. The --  
 6 Jefferson-Pilot exited the disability income market  
 7 sometime prior to my arriving in Greensboro.  
 8 Q. I'm just talking about the period from  
 9 January 1, 2000 to April 30, 2002.  
 10 A. There was no policy sold in that period  
 11 of time. I'm trying to answer your question here.  
 12 Q. I'm not communicating well with you.  
 13 If I was a policyholder of Jefferson-Pilot disability  
 14 insurance and I felt that I had a claim and I filed my  
 15 claim, gave my proof of loss, in June of 2000, would  
 16 there be a chance that my claim would be administered  
 17 by Jefferson-Pilot out of New Hampshire?  
 18 A. It could have been.  
 19 Q. And what would be the factor that might  
 20 direct my claim to that office for administration?  
 21 MR. MEAGHER: Objection, asked  
 22 and answered. You can answer.  
 23 A. Capacity. Depends on the capacity.  
 24 Q. So did you or the people that worked  
 25 beneath you in Greensboro send claims to New Hampshire

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 after January 1 of 2000?  
 2 A. I'm certain they did.  
 3 Q. And they would do that by contacting  
 4 the New Hampshire employees and seeing if they had the  
 5 capacity to handle more claims?  
 6 A. There would be -- they would discuss  
 7 what the capacity would be. You're speaking of an  
 8 individual case where we're -- you know, I don't know  
 9 that they would call on every individual claim.  
 10 Q. But there would be some judgment made  
 11 by the Greensboro office of whether or not the New  
 12 Hampshire office could take on new claims?  
 13 A. Additional claims, that's correct.  
 14 Q. After January 1 of 2000?  
 15 A. Yes.  
 16 Q. And regardless of who the reinsurer was  
 17 and regardless of the monthly indemnity value that  
 18 came with a new claim after January 1, 2000, it may  
 19 end up for administration at DMS or it might end up  
 20 for administration within the New Hampshire office of  
 21 Jefferson-Pilot; is that correct?  
 22 A. You asked a long question there and  
 23 I'll try to answer it. A claim that would be received  
 24 after January 1 of 2000 could be handled at either  
 25 office.

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1 Q. Either the Jefferson-Pilot office in  
 2 New Hampshire or the DMS office?  
 3 A. That's correct.  
 4 Q. And the judgment for which way it went  
 5 had nothing to do with the reinsurer or the monthly  
 6 indemnity. It had only to do with whether or not the  
 7 New Hampshire office could handle the capacity. So,  
 8 in effect, DMS was a default. If New Hampshire didn't  
 9 have the capacity, they went to DMS. Is that correct?  
 10 MR. MEAGHER: Objection to form.  
 11 A. That's not necessarily correct.  
 12 Q. What was incorrect about the question?  
 13 A. I'm not sure what the criteria would  
 14 have been at this point, but if Jefferson-Pilot --  
 15 regardless of the monthly indemnity, if the Concord  
 16 office could not handle it, it would be forwarded on  
 17 to DMS.  
 18 Q. You mentioned the word criteria. Were  
 19 there criteria other than the capacity of the New  
 20 Hampshire office?  
 21 A. That's the only thing that I can recall  
 22 at this point was the capacity for them to handle  
 23 additional claims, if they had it or not. And, again,  
 24 you know, that's directly related to staffing  
 25 levels --

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1 Q. Sure.  
 2 A. -- in that office.  
 3 Q. Sure. How many claim examiners were in  
 4 that office?  
 5 A. I don't have any idea at this point.  
 6 Q. Those were people that worked beneath  
 7 you, right?  
 8 A. Yes.  
 9 Q. Was it less than five or more than  
 10 five?  
 11 A. Probably more than five.  
 12 Q. So you're telling me under oath that if  
 13 it happened that all claims being managed in the New  
 14 Hampshire office were closed, settled, resolved or  
 15 people returned to work and the claim wasn't pending  
 16 anymore and they had no claims to administer that they  
 17 would then be getting more new claims and DMS would be  
 18 getting less new claims?  
 19 MR. MEAGHER: Objection, calls for  
 20 speculation, also argumentative. You  
 21 can answer.  
 22 A. You're asking a hypothetical that would  
 23 never happen because you've got a closed block of  
 24 business where there were active claims. I can't  
 25 answer the hypothetical.

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1 Q. Is my understanding correct, that that  
 2 office would get the bulk of the claims to the extent  
 3 they had the capacity and DMS would serve in the  
 4 capacity of administering claims on an overflow basis?  
 5 A. They were getting claims, what they  
 6 could handle and the remainder were at DMS.  
 7 Q. We got off on a tangent there. I  
 8 originally asked you the question you were the senior  
 9 executive officer January 1 of 2000 through April 30,  
 10 2002 with responsibility at Jefferson-Pilot for  
 11 disability insurance claims, and during that two-year,  
 12 four-month period at least some new claims and some  
 13 previously existing claims were being administered by  
 14 DMS. Correct?  
 15 A. That's correct.  
 16 Q. Did DMS have any reporting  
 17 responsibilities on their work during that period as  
 18 far as you know?  
 19 A. I'm sure that there was some reporting  
 20 responsibility.  
 21 Q. Did anybody at DMS report to you?  
 22 A. No one from DMS reported to me  
 23 directly, no.  
 24 Q. Did anybody at DMS interact with you  
 25 during that period?

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 A. We may have gotten claim activity --  
 2 Q. Don't guess.  
 3 A. -- data, but I don't recall  
 4 specifically what we would have gotten.  
 5 Q. That wasn't my question. Sitting here  
 6 today, do you recall having any interaction during  
 7 that 28-month period?  
 8 A. With DMS?  
 9 Q. With DMS.  
 10 A. Yes.  
 11 Q. Who did you interact with?  
 12 A. As I told you before, I don't remember  
 13 anyone's name from DMS at this point and I'm -- I  
 14 couldn't tell you who it would have been.  
 15 Q. Did you require DMS to provide you with  
 16 any specific report, because you were the senior  
 17 officer with ultimate responsibility for the claims  
 18 that they were administering?  
 19 A. There were some reporting requirements.  
 20 Q. Did those reports come to you?  
 21 A. Yes, they would have.  
 22 Q. What information or data was contained  
 23 in the reports?  
 24 A. Six, eight years down the road I have  
 25 no idea what those reports contained.

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1 Q. What was the frequency of the reports?  
 2 A. I believe it was on a monthly basis.  
 3 Q. So --  
 4 A. Or quarterly. I'm not certain.  
 5 Q. So your testimony is that your best  
 6 memory is on a monthly or quarterly basis there were  
 7 some reporting that Jefferson-Pilot received from DMS,  
 8 right?  
 9 MR. MEAGHER: Objection, asked  
 10 and answered.  
 11 A. Yes.  
 12 Q. And did that come directly to you or  
 13 someone else at Jefferson-Pilot?  
 14 A. I can't recall. I don't know.  
 15 Q. But you did ultimately see these  
 16 reports?  
 17 A. Yes.  
 18 Q. Did you get the reports on the  
 19 frequency that they were provided?  
 20 A. Yes, I would have.  
 21 Q. You didn't get one one year and not one  
 22 the next year or one one month and not one for several  
 23 months? It was whatever reports were received whether  
 24 they came to you initially directly or whether they  
 25 came to you through someone else, you did ultimately

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1 get them, right?  
 2 A. To my knowledge, yes.  
 3 Q. But you can't recall what information  
 4 was contained on the report?  
 5 A. Absolutely not.  
 6 Q. Were they charts and bar graphs and  
 7 statistics or were they narrative reports?  
 8 A. I don't know.  
 9 Q. Were they one-page reports or were they  
 10 multi-page reports?  
 11 A. I don't know.  
 12 Q. Do you recall ever reviewing a report  
 13 and having a question?  
 14 A. I don't specifically recall having a  
 15 question.  
 16 Q. Do you ever recall reviewing a report  
 17 and affirmatively making some inquiry directly with  
 18 DMS about something?  
 19 A. I may have.  
 20 Q. Not my question. Do you recall --  
 21 A. I don't recall specifically, no.  
 22 Q. So sitting here today, there's nothing  
 23 you can recall about the reports that triggered in  
 24 your mind any need for you to have direct dialogue  
 25 with DMS?

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1 A. Not today.  
 2 MR. MEAGHER: Objection, asked  
 3 and answered.  
 4 Q. And you don't recall any direct  
 5 dialogue with DMS during that period?  
 6 A. No.  
 7 Q. Did you ever visit DMS?  
 8 A. I don't believe I was in their  
 9 office -- ever in their office.  
 10 Q. Did you ever send anybody to go audit  
 11 files at DMS?  
 12 A. May have, but I don't recall for  
 13 certain.  
 14 Q. What information did you have to make  
 15 yourself absolutely certain that they were  
 16 administering the claims in good faith?  
 17 A. We had many different audit processes  
 18 that went on like from our internal auditors, external  
 19 auditors. We might have market conduct exams that  
 20 would be done. So we would have those types of...  
 21 Q. Kindly don't tell me what you might  
 22 have had. Tell me what you --  
 23 A. I'm certain, because we were always  
 24 being audited by internal auditors, we were always  
 25 being audited by external auditors.

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## COLLINS &amp; HUGHES REPORTING AND VIDEO SERVICE

1 Q. Do you know of any internal auditors  
2 that went to DMS and audited the disability insurance  
3 claims they were handling?  
4 A. I don't recall any at this point.  
5 Q. Do you recall retaining any outside  
6 auditors to go to DMS to review the claims to make  
7 sure that they were handling the claims in good faith  
8 and not violating the laws with regard to  
9 policyholders?  
10 A. I don't recall at this point, but we --  
11 in doing an internal audit or an external audit, those  
12 files would have been submitted to Jefferson-Pilot for  
13 auditor's review.  
14 Q. Again, I'm certain that anything could  
15 have happened. All I want to know is what you recall  
16 happening. Do you recall there ever being an internal  
17 or external audit performed on the files that DMS was  
18 managing?  
19 A. I don't recall specifically.  
20 Q. Do you recall ever seeing a report of  
21 an audit that was performed of DMS's work?  
22 A. I don't recall a report.  
23 Q. Did you have any meetings with  
24 representatives of DMS after entering the agreement?  
25 A. I don't recall any meetings, no.

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1 Q. Do you recall any scheduled  
2 teleconferences to discuss agendas or topics with  
3 DMS --  
4 A. No.  
5 Q. -- during that period? Who beneath  
6 you -- during that 28-month period of January 1, 2000  
7 to April 2002, who beneath you, if anyone, had  
8 exclusive responsibility for disability insurance  
9 claims that was an employee of Jefferson-Pilot at the  
10 Greensboro location?  
11 A. No one at the Greensboro location would  
12 have had exclusive. Again, this would have been a  
13 part of many functions that were being performed by  
14 me.  
15 Q. I'm not talking about you. I'm talking  
16 about people beneath you. Was there anybody beneath  
17 you employed at Jefferson-Pilot in the Greensboro  
18 location that had the exclusive responsibility for  
19 disability insurance claims?  
20 A. No, no one had exclusive.  
21 Q. Was there anyone beneath you at the  
22 Greensboro location during that period who had any  
23 responsibility for disability insurance claims at the  
24 Greensboro location?  
25 A. I don't recall anyone that would have

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1 had. As I had mentioned earlier, Paul Swink was a  
2 claims manager that reported to me in that area that  
3 would have had some responsibility with disability  
4 claims.  
5 Q. In the 28-month period, January 2000 to  
6 April 2002?  
7 A. I can't give you a definite on that;  
8 possibly.  
9 Q. Would his responsibility during that  
10 period have included making sure that DMS was  
11 conducting their work professionally, honorably,  
12 legally and in good faith?  
13 MR. MEAGHER: Objection to form.  
14 A. I would have to say yes.  
15 Q. What do you know that he did during  
16 that period to perform that responsibility?  
17 A. There would have been interaction  
18 between Mr. Swink and DMS during that period. The  
19 amount, I could not tell you how much at this point.  
20 Q. Do you know of anything affirmatively  
21 he did or undertook to do to assure himself that DMS  
22 was performing its job in line with the agreement and  
23 the law and the duty of good faith?  
24 A. I don't know of anything at this point,  
25 no.

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1 Q. Anyone else other than potentially  
2 Mr. Swink?  
3 A. I can't -- I don't -- can't think of  
4 anyone.  
5 Q. Have you told me everything you can  
6 recall about your interactions with DMS either  
7 directly or based on documents during the period  
8 January 1, 2000 to April 2002?  
9 MR. MEAGHER: Objection to form.  
10 You can answer.  
11 A. Sitting here at the moment, I can't  
12 think of anything at this point.  
13 Q. Do you ever recall having any  
14 conversations with a gentleman named Bob Bonsal?  
15 A. That name is familiar.  
16 Q. Do you recall having any conversations  
17 with him?  
18 A. I don't recall any conversation that we  
19 had. He may have signed the agreement, but I'm not  
20 certain of that.  
21 Q. How about after the agreement, do you  
22 recall any continued interaction with Mr. Bonsal?  
23 You're correct, by the way, he did sign the  
24 agreement.  
25 A. He did, okay. I don't recall anything

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1 specific, no.  
 2 Q. How about John Anderson?  
 3 A. That name is familiar, but I don't  
 4 recall ever having any conversation with John  
 5 Anderson.  
 6 Q. How about Andy Cohen?  
 7 A. That name isn't familiar with me at  
 8 all.  
 9 Q. How about Bill Hughes?  
 10 A. That name does not ring a bell with me  
 11 either.  
 12 Q. Bob Mills?  
 13 A. I know...  
 14 Q. Todd Ditmar?  
 15 A. That name is familiar.  
 16 Q. Do you recall having interactions with  
 17 Mr. Ditmar?  
 18 A. Not anything specifically, no.  
 19 Q. Is that name familiar just because of  
 20 things you've undertaken to do this week?  
 21 A. No.  
 22 Q. You told me you never went to DMS  
 23 offices for conferences. Did you have any conferences  
 24 with anyone from DMS at Jefferson-Pilot?  
 25 A. I don't recall any conferences at

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1 Jefferson-Pilot.  
 2 Q. Any other location other than  
 3 Jefferson-Pilot's location, DMS's location?  
 4 A. I may have met John Anderson, just was  
 5 introduced to him at a claims conference.  
 6 Q. Just an industry thing?  
 7 A. Right.  
 8 Q. Who introduced you?  
 9 A. I have no idea.  
 10 Q. These reportings that you were getting  
 11 on some frequency, what did you do with them? What  
 12 did you do with the reports that you would receive  
 13 from DMS?  
 14 A. I'm certain that I reviewed the  
 15 reports.  
 16 Q. Did you throw them away, then, after  
 17 you reviewed them?  
 18 A. I don't recall.  
 19 Q. Would that be your practice?  
 20 MR. MEAGHER: Objection to form,  
 21 asked and answered.  
 22 A. I don't recall.  
 23 Q. You don't recall whether your practice  
 24 was to take documents like that and put them in a file  
 25 or simply discard them?

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1 MR. MEAGHER: Objection, asked  
 2 and answered.  
 3 A. I don't recall it, no.  
 4 Q. You don't recall what your practice was  
 5 in your business to either retain documents like that  
 6 or destroy them?  
 7 MR. MEAGHER: Objection.  
 8 Q. I'm not asking what you did with those  
 9 documents. I'm just asking you do you recall in your  
 10 42-year history working in insurance whether or not  
 11 you would retain that type of document or destroy it.  
 12 MR. MEAGHER: Objection,  
 13 argumentative, asked and answered. You  
 14 can answer.  
 15 A. I don't recall on this document.  
 16 Q. Step outside this document. Is it your  
 17 practice to retain those type of documents in your  
 18 professional career or discard them?  
 19 MR. MEAGHER: Same objection.  
 20 A. I never had those type of documents in  
 21 my prior career.  
 22 Q. What about important documents,  
 23 documents you think are important, would they be  
 24 documents that you retain or discard after you review  
 25 them?

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1 A. Some you would retain. Some you would  
 2 destroy.  
 3 Q. I presume that when you left  
 4 Jefferson-Pilot, you didn't retain any of their  
 5 documentation?  
 6 A. I did not.  
 7 Q. Are you familiar with the term the  
 8 means justifying the ends -- or the ends justifying  
 9 the means?  
 10 MR. MEAGHER: Objection to form.  
 11 A. Not necessarily.  
 12 MR. ROBERTS: Counsel's laughing  
 13 at me because I got that wrong. I  
 14 shouldn't be laughed at for that.  
 15 Q. Are you familiar with the term ends  
 16 justifying the means?  
 17 A. No.  
 18 Q. You don't know what that phrase means?  
 19 You've never heard that before?  
 20 A. I don't think I've ever heard that.  
 21 Q. You've never heard the phrase --  
 22 A. I don't believe so.  
 23 Q. -- in your 67 years the ends justifying  
 24 the means?  
 25 MR. MEAGHER: Objection, asked

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1 and answered.  
 2 Q. Correct?  
 3 A. I don't believe I've ever heard that  
 4 before.  
 5 Q. During the time that you were the  
 6 senior executive officer responsible for the  
 7 disability insurance claims at Jefferson-Pilot, was it  
 8 acceptable to you that DMS investigate claimants  
 9 without regard for any bounds?  
 10 MR. MEAGHER: Objection to form.  
 11 A. I don't know what you mean without any  
 12 bounds.  
 13 Q. Was it okay -- are you familiar with  
 14 the concept of invading someone's privacy? Excuse  
 15 me. I just invaded your counselor's privacy.  
 16 A. Yes.  
 17 Q. That term means something to you.  
 18 Whatever that term means to you, is it acceptable, in  
 19 your judgment, that DMS, in administering a claim, do  
 20 something that you would believe is an invasion of  
 21 privacy?  
 22 MR. MEAGHER: Objection to form.  
 23 A. DMS would investigate claims in order  
 24 to obtain the information needed to make a proper  
 25 decision on the administration or adjudication of a

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1 claim.  
 2 Q. Is that your answer?  
 3 A. Yes.  
 4 Q. What if, in the course of doing that  
 5 job, they did something that invaded somebody's  
 6 privacy the way you view the concept of invasion of  
 7 privacy, would that be acceptable to Jefferson-Pilot  
 8 while you were the senior executive officer?  
 9 MR. MEAGHER: Objection to form.  
 10 A. They should investigate based on  
 11 information -- the contract provisions that would  
 12 allow them to obtain information and releases that  
 13 would be signed by a claimant to do an investigation.  
 14 Q. What if, in doing that job, they  
 15 overstepped their bounds and do something that you  
 16 would consider to be an invasion of privacy, would  
 17 that be okay with Jefferson-Pilot?  
 18 MR. MEAGHER: Objection, calls for  
 19 speculation.  
 20 A. Again, it would be based on the -- what  
 21 they were permitted to do on the...  
 22 Q. Agreement?  
 23 A. Right, the -- not the agreement, the  
 24 claimant's --  
 25 Q. Authorization?

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1 A. -- authorization.  
 2 Q. What if you learned while you were the  
 3 senior officer of claims they did something that you  
 4 would consider to be an invasion of privacy, would  
 5 that be okay?  
 6 MR. MEAGHER: Objection, calls  
 7 for speculation, assumes facts not in  
 8 evidence. You can answer.  
 9 A. I don't know how to answer you except  
 10 to say they would never go outside the bounds of the  
 11 authorization.  
 12 Q. How do you know that? You're  
 13 testifying under oath that you know for certain that  
 14 during those 28 months DMS never did anything that  
 15 exceeded the scope of their authorization? You're not  
 16 saying that, are you?  
 17 MR. MEAGHER: Objection to form.  
 18 A. I was never made aware.  
 19 Q. But you agree with me --  
 20 MR. MEAGHER: Excuse me. Did you  
 21 finish your answer? You said you were  
 22 never made aware.  
 23 A. I was never made aware of them stepping  
 24 outside the bounds of the authorization.  
 25 Q. Okay. But you agree with me that,

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1 first of all, you don't know everything they did? You  
 2 don't know everything DMS did in those 28 months on  
 3 all the claims they had, correct?  
 4 A. That's correct.  
 5 Q. And you can't testify under oath that  
 6 in all the claims that they had for Jefferson-Pilot  
 7 they never stepped outside of the bounds of the  
 8 authorizations signed by policyholders on respective  
 9 claims, right?  
 10 A. Not that I was ever made aware of.  
 11 Q. The authorization doesn't give them the  
 12 right to do anything and everything that's possibly  
 13 doable, right?  
 14 A. I'm sure there are restrictions.  
 15 Q. Is invading someone's privacy, in your  
 16 judgment, a restriction?  
 17 MR. MEAGHER: Objection to form.  
 18 A. Again, I think invasion of privacy -- I  
 19 don't know how to answer your question.  
 20 Q. Okay. Does the authorization -- if  
 21 someone did sign an authorization, in your judgment,  
 22 does that completely open the door and remove from  
 23 that person's right the right of privacy?  
 24 MR. MEAGHER: Objection insofar  
 25 as it calls for a legal conclusion.

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1 You can answer.

2 THE WITNESS: Read that question

3 back, please, if you would.

4 MR. ROBERTS: Let me just restate

5 it.

6 Q. In your judgment, if one of your

7 policyholders to whom you owe a duty of good faith

8 signs an authorization, is it okay with you that later

9 their privacy may be invaded as far as you would

10 consider the invasion of privacy?

11 MR. MEAGHER: Objection to form.

12 A. I would -- they should not step outside

13 the bounds of that authorization.

14 Q. So everything is decided by the

15 language of the authorization?

16 MR. MEAGHER: Objection as far as

17 that calls for a legal conclusion. You

18 can answer.

19 A. The authorization and the policy.

20 Q. But what DMS could do or not do as it

21 related to one of these policyholders to whom you owed

22 a duty of good faith, as long as they stuck to the

23 authorization regardless of what means they used, that

24 would be okay --

25 MR. MEAGHER: Objection.

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1 Q. -- in your judgment?

2 MR. MEAGHER: Objection, calls

3 for speculation. You can answer.

4 A. You're asking a general -- me to

5 respond to a general question that's extremely broad.

6 I don't know how to answer you on that.

7 Q. Let me try to refine the question and

8 maybe you can and maybe you can't answer it.

9 In the discharge of your duty of good

10 faith to the Jefferson-Pilot policyholders, was it the

11 case that as long as DMS didn't do anything that

12 violated the language of the authorization regardless

13 of what they did, it would be okay?

14 MR. MEAGHER: Objection,

15 speculation.

16 Q. Was that the case?

17 MR. MEAGHER: You can answer.

18 A. They should adhere to the terms of the

19 authorization.

20 Q. And regardless of what they do to

21 undertake their rights under the authorization, it

22 would be okay with Jefferson-Pilot; is that the case?

23 MR. MEAGHER: Objection, calls for

24 speculation.

25 A. Again, I don't know how to answer your

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1 question.

2 Q. There would be nothing objectionable

3 regardless of what DMS did, however offensive or

4 aggressive it may be, regardless of what they do, as

5 long as it's contemplated as okay within the

6 authorization, you, in your capacity at

7 Jefferson-Pilot, having a duty of good faith to these

8 policyholders, would be okay with that, right?

9 MR. MEAGHER: Objection, asked and

10 answered, argumentative, calls for

11 speculation. You can answer again.

12 A. You have put it in such broad terms, I

13 don't know how to answer your question. You know,

14 when you say anything regardless, you know, that takes

15 in so much, I don't know how to answer your question.

16 Q. Why not?

17 MR. MEAGHER: Objection, asked and

18 answered.

19 Q. Is it okay no matter what they do? As

20 long as you could argue it's inside the authorization,

21 that would be okay to Jefferson-Pilot, in your

22 judgment; is that the case?

23 MR. MEAGHER: Objection, asked and

24 answered several times, Counsel. It's

25 now becoming vexatious and harassing.

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1 You can answer again.

2 MR. ROBERTS: There is some

3 vexatiousness going on here, but it's

4 not --

5 A. You've put it in such broad terms, I

6 don't know how to answer your question.

7 Q. Was it your expectation that DMS would

8 comply with state and federal privacy laws?

9 A. Was it my expectation?

10 Q. Right.

11 A. Yes.

12 Q. Even if the privacy laws and the

13 authorization would conflict?

14 MR. MEAGHER: Objection insofar as

15 it calls for a legal conclusion. You

16 can answer.

17 Q. Was it your expectation that DMS would

18 do things authorized by the language of an

19 authorization even if those things would constitute a

20 violation of state and federal privacy laws?

21 A. I've never had that situation to occur

22 and I'm not an attorney, but I would assume that you

23 would need to comply with federal regulation.

24 Q. I'm not asking for a legal conclusion.

25 I'm just asking you as a senior officer responsible

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1 for disability insurance claims during that 28-month  
 2 period, was it acceptable to you that DMS violate  
 3 state and federal privacy laws as long as the action  
 4 is arguably permitted by the policyholder's  
 5 authorization?  
 6 MR. MEAGHER: Objection, calls for  
 7 speculation, assumes facts not in  
 8 evidence. You can answer. Also, asked  
 9 and answered.  
 10 THE WITNESS: I'm sorry?  
 11 MR. MEAGHER: It was also asked  
 12 and answered. You can go ahead and  
 13 answer.  
 14 THE WITNESS: Okay.  
 15 A. In my experience I've never had that  
 16 happen, so I don't know how to answer you.  
 17 Q. Did you judge the authorization to  
 18 permit DMS to violate state and federal laws?  
 19 MR. MEAGHER: Objection, assumes  
 20 facts not in evidence. You can answer.  
 21 A. Repeat the question, please.  
 22 (Reporter read the question.)  
 23 A. And, again, I never had that situation  
 24 to come up.  
 25 Q. I'm not asking you to relay to me a

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1 specific situation that occurred or not. Let me  
 2 rephrase.  
 3 Did you ever see the authorization  
 4 that Jefferson-Pilot required policyholders to sign?  
 5 A. Probably. I'm sure that I have seen  
 6 it.  
 7 Q. Did the authorization change over time  
 8 at all?  
 9 A. That I don't recall. Authorizations  
 10 would be updated.  
 11 Q. Meaning?  
 12 A. There could be changes in  
 13 authorizations.  
 14 Q. Do you recall that ever happening?  
 15 A. I don't recall whether it ever did or  
 16 not.  
 17 Q. Do you recall the authorization  
 18 changing once DMS took over?  
 19 A. I don't recall.  
 20 Q. In your position as an officer of  
 21 Jefferson-Pilot and senior officer responsible for  
 22 disability insurance claims, was it acceptable to you  
 23 that DMS use whatever tactics were at their disposal  
 24 in managing a claim even if the tactics are permitted  
 25 by the authorization?

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1 MR. MEAGHER: Objection, asked and  
 2 answered. You can answer it.  
 3 A. Could you repeat that question?  
 4 MR. ROBERTS: The court reporter  
 5 will read it back.  
 6 (Reporter read the question.)  
 7 MR. MEAGHER: Objection, asked  
 8 and answered.  
 9 A. If the authorization permitted them to  
 10 obtain information, then I wouldn't see why they could  
 11 not do that.  
 12 Q. Regardless of the tactics?  
 13 A. Again, you're asking such a broad  
 14 question, I don't know how to answer --  
 15 MR. MEAGHER: Excuse me. The  
 16 question so far is regardless of the  
 17 tactics?  
 18 MR. ROBERTS: Correct.  
 19 MR. MEAGHER: Objection, asked  
 20 and answered. Now you can answer  
 21 again.  
 22 A. It is so broad here, I don't know how  
 23 to answer your question.  
 24 Q. Could they be threatening to  
 25 policyholders even though they're not doing something

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1 outside the authorization?  
 2 MR. MEAGHER: Objection, assumes  
 3 facts not in evidence, calls for  
 4 speculation, calls for legal  
 5 conclusion. You can answer.  
 6 A. I don't know how to answer your  
 7 question.  
 8 Q. If you learned that --  
 9 MR. MEAGHER: Wait. Are you done  
 10 with your answer? You paused. If you  
 11 are, that's fine. If not, proceed.  
 12 A. Go ahead.  
 13 MR. ROBERTS: I'm just --  
 14 Mr. Meagher, are you concluded, sir?  
 15 MR. MEAGHER: If my witness is, I  
 16 am.  
 17 Q. Sir, are you concluded?  
 18 A. Yeah.  
 19 Q. If you learned while you were senior  
 20 officer, fiduciary duty good faith to the  
 21 policyholders that there was a DMS claim manager,  
 22 claim examiner who was threatening one of your  
 23 policyholders, would that be okay?  
 24 MR. MEAGHER: Objection, calls  
 25 for speculation, assumes facts not in

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1 evidence, also misstates the law. You  
 2 can answer.  
 3 A. I've never had a situation where a  
 4 claim examiner or claim manager threatened an insured.  
 5 Q. I'm not asking you to share with me  
 6 those occasions. I'm asking you, given the agreement  
 7 you signed, the authority you gave them, contracting  
 8 out that responsibility, was it your judgment that it  
 9 would be okay for them to threaten your policyholders  
 10 in the performance of their claim management function?  
 11 A. No.  
 12 Q. That would not be acceptable, correct?  
 13 A. That's correct.  
 14 Q. Even if what they're threatening with  
 15 is arguably not outside the authorization?  
 16 MR. MEAGHER: Objection, asked and  
 17 answered.  
 18 Q. Right?  
 19 A. They should follow the authorization.  
 20 Q. Would it be okay to intentionally  
 21 intimidate a policyholder to gain advantage?  
 22 A. No.  
 23 Q. Would it be okay to strategically take  
 24 advantage of someone with a mental disorder who was a  
 25 policyholder?

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1 A. I don't know what you mean by strategic  
 2 advantage.  
 3 Q. Do you know anybody with a mental  
 4 disorder?  
 5 A. Not personally, no.  
 6 Q. Someone who's afraid of going out of  
 7 their house, there's some kind of phobia about that.  
 8 Are you mindful about that?  
 9 A. Yeah.  
 10 Q. What if your policyholder had that  
 11 particular illness and DMS was insistent that unless  
 12 the person came to meet them at Starbucks down the  
 13 street, they're going to cut them off next month and  
 14 they did it strategically, that's not outside the  
 15 authorization, right?  
 16 MR. MEAGHER: Objection, calls  
 17 for speculation, argumentative, assumes  
 18 facts not in evidence. You can answer.  
 19 Q. Correct?  
 20 THE WITNESS: You better read the  
 21 question again. I lost track.  
 22 MR. ROBERTS: I'll restate it.  
 23 THE WITNESS: Okay.  
 24 MR. ROBERTS: Counsel, all your  
 25 objections you want to make are

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1 preserved. You don't have to say  
 2 17,000 different objections after every  
 3 objection. Just say the word objection  
 4 and everything legally permissible will  
 5 come in.  
 6 Q. Would it be okay with you in your  
 7 discharge of your good faith duty to policyholders as  
 8 a senior officer of Jefferson-Pilot if you learned  
 9 that a DMS claim examiner who had knowledge that a  
 10 disabled policyholder had a disability that impacted  
 11 them in a way -- like they were feared for their life  
 12 to leave their own home, would it be okay if you  
 13 learned that the claim examiner was on a monthly basis  
 14 demanding that the person meet them at a public place?  
 15 MR. MEAGHER: Objection,  
 16 speculation, assumes facts not in  
 17 evidence.  
 18 A. I have never had experience with  
 19 something like that with a -- so I don't know how to  
 20 answer your question.  
 21 Q. Would it be okay with you if you  
 22 learned that a DMS claim examiner was preying on a  
 23 particular disability of a policyholder?  
 24 MR. MEAGHER: Same objections.  
 25 A. I've never found any evidence that a

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1 claim examiner ever preyed on a policyholder.  
 2 Q. If that happened, that would be  
 3 upsetting to you, wouldn't it?  
 4 A. If they were preying on the  
 5 policyholder, it would be upsetting, but, again, they  
 6 have certain rights based on the authorization.  
 7 Q. So as long as it's inside the  
 8 authorization even if they're strategically preying on  
 9 the particular disability of a policyholder, that's  
 10 okay?  
 11 MR. MEAGHER: Objection, asked and  
 12 answered.  
 13 Q. Is that your testimony?  
 14 MR. MEAGHER: Asked and answered  
 15 several times.  
 16 A. I've never had experience with that, so  
 17 I don't know how to answer you. I've never had an  
 18 experience with an individual with this -- with  
 19 this...  
 20 Q. I'm not asking you to document for me  
 21 some experience you have. I'm just saying, as the  
 22 senior officer discharging a duty of good faith to  
 23 these policyholders, would it be okay for DMS to  
 24 administer these claims in a way whereby they preyed  
 25 on the particular disability that that person was

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1 undergoing?

2 MR. MEAGHER: Objection.

3 Q. Yes or no.

4 MR. MEAGHER: Objection, asked and

5 answered.

6 A. I've never known of DMS to prey on an

7 insured.

8 Q. Would it be okay if you came to learn

9 that they did? Would that be okay with you?

10 MR. MEAGHER: Same objection.

11 A. It would be disturbing.

12 (Off-the-record interruption.)

13 Q. We're back on the record. You're

14 still under oath. I asked a question. You gave me a

15 response. I want to follow up on that answer.

16 Regardless of an authorization that a policyholder

17 might sign --

18 (Off-the-record interruption.)

19 Q. If something disturbed you in the

20 manner which DMS was going about its business, you

21 would direct them to cease that, correct?

22 MR. MEAGHER: Objection, calls for

23 speculation.

24 A. I never had any reason to see that they

25 were doing anything.

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1 provisions to the claims that they were handling.

2 Q. Have you ever administered a claim,

3 disability claim?

4 A. Not that I recall personally.

5 Q. Have you ever had any extended

6 interaction with a person who was a disability

7 policyholder at Jefferson-Pilot?

8 A. Ever had?

9 Q. Extended interaction. I would presume

10 that from time to time someone might call you with a

11 complaint because you're the vice president of claims.

12 Other than the single incident anecdotal basis, did

13 you ever have any extended dialogue with any person on

14 their claim?

15 A. I don't recall of any claims that I had

16 that type of extended dialogue on.

17 Q. Did you ever speak to any disability

18 insurance claim policyholder?

19 A. I'm sure that I have.

20 Q. It wasn't a major function of your job,

21 though?

22 A. No.

23 Q. Correct, it was not a major function?

24 A. That's correct, it was not a major

25 function.

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1 Q. If you came to learn that something

2 occurred involving a DMS claim examiner that disturbed

3 you, would you ignore it?

4 MR. MEAGHER: Speculation, assumes

5 facts not in evidence. You can answer.

6 A. No.

7 Q. Would you --

8 A. But, again, you know, the question

9 you've asked me is speculation and I haven't had that

10 situation to occur.

11 Q. But you're an honorable person. If you

12 learned that somebody to whom you delegated authority

13 engaged in activity that you would judge to be

14 disturbing, you would tell them to stop, wouldn't you?

15 MR. MEAGHER: Objection to form.

16 A. If I found something objectionable,

17 yes, I would tell them to cease. But it never

18 occurred.

19 Q. What training did Jefferson-Pilot

20 provide to DMS with respect to the block of business

21 that it sent DMS's way?

22 A. I'm sure they received policy forms.

23 I'm sure they received a claimant's statement with

24 authorization. Again, we were dealing with

25 experienced claim staff, so they applied the policy

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1 Q. So in your career you've really never

2 had any substantive interaction from a person

3 suffering from a disability with a claim for

4 disability insurance pending, right?

5 A. I have had interaction with disability

6 claimants. Substantive interaction, again, is an

7 expansive word.

8 Q. Other than the anecdotal contact from

9 time to time that we mentioned earlier, you've not had

10 any other interaction with disability insurance?

11 A. Not prolonged interaction.

12 Q. None prior to 1999?

13 A. Not that I'm aware of.

14 Q. None since May of 2002?

15 A. None since 2002.

16 Q. And in that window of time, it would

17 have been ad hoc, anecdotal. If someone contacted you

18 with a complaint, you would delegate it out or

19 respond, but, other than that, no interaction with

20 disability insurance claimants, right?

21 A. I may have delegated it or I may have

22 responded myself.

23 Q. That anecdotal potential. But,

24 otherwise, nothing, correct?

25 A. I don't recall any prolonged...

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1 Q. And you don't recall any training that  
 2 JP gave DMS about managing its block of business?  
 3 A. Again, as I had said previously, you  
 4 know, we gave them copies of policies, policy forms,  
 5 claimants' statements, authorization. Those are just  
 6 items that I can think of at this point. There may  
 7 have been others.  
 8 Q. And how they went about doing their job  
 9 was up to them?  
 10 A. They did their job based on policy  
 11 provision and the claim investigation that they were  
 12 doing.  
 13 Q. You presume, right? You're presuming  
 14 they did that that way. No one at Jefferson-Pilot  
 15 oversaw the way they went about doing their work.  
 16 A. I was never in DMS's office that I  
 17 recall.  
 18 Q. No one at Jefferson-Pilot oversaw the  
 19 manner in which DMS was doing its work, correct?  
 20 MR. MEAGHER: Objection, calls  
 21 for speculation. You can answer.  
 22 A. As I had indicated earlier in the  
 23 deposition, I received periodic reports on items that  
 24 were -- on the claim handling that was being done.  
 25 Q. But those didn't comment on the manner

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1 in which DMS was doing its job, did they?  
 2 A. Not that I recall.  
 3 Q. So nobody at Jefferson-Pilot oversaw  
 4 the manner in which DMS was going about interacting  
 5 with claimants, correct?  
 6 MR. MEAGHER: Objection,  
 7 speculation. You can answer.  
 8 A. I never saw any complaints regarding  
 9 that.  
 10 Q. Didn't ask you that question.  
 11 A. Okay.  
 12 Q. Was there anybody at Jefferson-Pilot  
 13 that oversaw the manner in which DMS was interacting  
 14 with Jefferson-Pilot policyholders?  
 15 A. That would have been part of my  
 16 responsibility that I would have judged based on  
 17 complaints that I received from policyholders if I --  
 18 or from claimants.  
 19 (Mr. Kearney confers with  
 20 Counsel.)  
 21 Q. Do you know, sir, whether or not DMS  
 22 was instructing its -- the policyholders -- or that  
 23 DMS was instructing the JP policyholders to not  
 24 contact Jefferson-Pilot but rather deal exclusively  
 25 with DMS?

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1 A. DMS was our third-party administrator  
 2 handling the claims. They could have always called  
 3 the home office claim department. But I do not know  
 4 the answer to your question.  
 5 Q. Right. The fact of the matter is you  
 6 don't have any information about what they were saying  
 7 or not saying to policyholders?  
 8 A. I don't recall anything at this point.  
 9 (Mr. Kearney confers with  
 10 Counsel.)  
 11 Q. Did DMS interact with Jefferson-Pilot  
 12 with regard to settlement of claims?  
 13 A. What do you mean by settlement?  
 14 Q. Agreeing to resolve a dispute with a  
 15 policyholder for the payment of some consideration.  
 16 A. Yes.  
 17 Q. I can't remember what the question was  
 18 you're answering.  
 19 A. Yes, they would have consulted with  
 20 Jefferson-Pilot.  
 21 Q. Were they in every instance required to  
 22 get your approval for some settlement proposal?  
 23 A. I'm not certain on every proposal for  
 24 settlement. Generally, yes.  
 25 Q. Who was the person that DMS would need

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1 to interact with to receive authorization to extend a  
 2 settlement proposal to a policyholder?  
 3 A. It would have been me.  
 4 Q. Would you have interacted with the  
 5 lower level claim examiners or would it be the claims  
 6 manager at DMS who would contact you for that  
 7 authority?  
 8 A. I don't recall who it would have been.  
 9 Q. Do you recall authorizing anybody at  
 10 DMS to ever settle a claim for greater than \$200,000?  
 11 A. Again, it's been so long, I just -- I  
 12 don't remember what amounts would have been -- you  
 13 know, what the maximum amount they would have  
 14 requested settlement for.  
 15 Q. That's within the ballpark of  
 16 conversations you would have had with them, that type  
 17 of number?  
 18 MR. MEAGHER: Objection to form.  
 19 A. Or less or more.  
 20 Q. Was it the situation where if they were  
 21 going to go to a policyholder and say, hey, we'll pay  
 22 \$250,000 to settle the dispute, would they have  
 23 needed your authority to make that proposal?  
 24 A. There was -- I think there was some  
 25 limit where they would have to get my authority, but I

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1 don't recall what that amount was.  
 2 Q. You don't know if it's north or south  
 3 of \$250,000?  
 4 A. I really don't. I just don't recall.  
 5 (Mr. Kearney confers with  
 6 Counsel.)  
 7 Q. If the agreement suggests that the  
 8 threshold for seeking authorization is less than  
 9 \$100,000, was it your expectation that before they  
 10 made settlement offers at -- north of \$200,000, they  
 11 would have come to you and asked for your authority?  
 12 A. I don't know what -- I don't know what  
 13 the agreement says. I don't recall what it says.  
 14 Q. Assume for me it says \$75,000.  
 15 A. I'm sorry?  
 16 Q. Assume for me that it says \$75,000,  
 17 okay? Would it be your expectation that they would  
 18 interact with you before offering to settle a claim  
 19 for \$250,000?  
 20 A. I would assume that, yes.  
 21 Q. And what type of information would you  
 22 have required to judge for yourself whether that  
 23 number was appropriate or not?  
 24 A. I would ask for details.  
 25 Q. Did you get memoranda saying, you know,

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1 Joe Blow claimed X, Y, Z disability, here's what we  
 2 know, here's what he claims, here's the dispute,  
 3 here's what we'd like to propose?  
 4 A. I don't recall getting any memoranda  
 5 regarding that.  
 6 Q. It was all just over the phone?  
 7 A. Telephonic.  
 8 Q. Catch you on the fly, here's the deal,  
 9 what do you say, yes or no, that kind of thing?  
 10 MR. MEAGHER: Objection to form.  
 11 A. It was usually by telephone.  
 12 Q. And they were usually conversations you  
 13 would cover in a single phone call?  
 14 A. Again, I don't recall. It may have  
 15 been one call or it may have been more than one. I  
 16 may have had additional questions. Again, whatever  
 17 the limitation is, just because it is that limit  
 18 doesn't mean that they wouldn't call on items below  
 19 that limit.  
 20 Q. Right. Did Swift have any interactions  
 21 with DMS along that regard?  
 22 A. Who?  
 23 Q. Who's the gentleman that worked with  
 24 you? Was it Swift?  
 25 A. Paul Swink.

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1 Q. Swink.  
 2 A. He may have.  
 3 Q. Did he have authority from you to  
 4 authorize settlement of claims north of \$200,000?  
 5 A. No.  
 6 Q. Do you know Mr. Kearney?  
 7 A. No, I do not.  
 8 Q. Do you recall anything about  
 9 Mr. Kearney being a policyholder or claimant of  
 10 Jefferson-Pilot?  
 11 A. No, I do not.  
 12 Q. Do you recall an occasion in 2001 where  
 13 Mr. Hughes or Mills or Dittmar sought your authority to  
 14 settle Mr. Kearney's claim?  
 15 A. No, I do not.  
 16 Q. When you authorized the settlement of  
 17 claims or disputes with policyholders, did you discuss  
 18 with DMS the other materials that would go with the  
 19 offer; for example, how long the offer would be open,  
 20 things like that?  
 21 A. I don't specifically recall discussing  
 22 those items.  
 23 Q. And as a general manager, if you  
 24 learned that DMS was making settlement proposals to  
 25 policyholders and giving them 15 minutes to make the

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1 decision or the offer was withdrawn, would that have  
 2 disturbed you?  
 3 MR. MEAGHER: Objection, assumes  
 4 facts not in evidence, speculation.  
 5 You can answer.  
 6 A. In my experience, that never happened.  
 7 Q. What if that did happen on an offer  
 8 that you had authorized them to make, is that  
 9 something you would think is consistent with a duty of  
 10 good faith to the policyholder?  
 11 A. Again, my response would be it never  
 12 happened.  
 13 Q. What if it did happen?  
 14 MR. MEAGHER: Objection, assumes  
 15 facts not in evidence, asked and  
 16 answered.  
 17 A. But it didn't.  
 18 Q. Would it be disturbing, if it did?  
 19 MR. MEAGHER: Calls for  
 20 speculation, objection. You can  
 21 answer.  
 22 A. I've never seen a situation where  
 23 someone was given 15 minutes to make a decision.  
 24 Q. Would it be inconsistent, you think,  
 25 with the duty you have to the policyholder to put that

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1 type time frame on someone, especially if the person's  
 2 disabled and suffering from a mental disorder?  
 3 A. Again, I've never seen that type of  
 4 limitation put on a proposed settlement agreement.  
 5 Q. Did you ever stipulate that offers be  
 6 proposed in that type of manner?  
 7 A. No.  
 8 Q. Why not?  
 9 A. It never occurred to me to give someone  
 10 15 minutes to...  
 11 Q. Is that unreasonable?  
 12 MR. MEAGHER: Objection to form,  
 13 calls for speculation.  
 14 A. I've never seen it in my experience.  
 15 Q. So you think it might be reasonable?  
 16 A. I've never seen it happen. I don't  
 17 know how else to answer your question.  
 18 Q. So you'd have to see it happen first  
 19 before you could give me a judgment about whether you  
 20 believe in your carrying out and discharge of your  
 21 duty of good faith to policyholders that it would be  
 22 something that would be reasonable --  
 23 MR. MEAGHER: Objection, asked --  
 24 Q. -- or not reasonable?  
 25 MR. MEAGHER: Objection, asked and

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1 answered.  
 2 A. The time limits seem short.  
 3 MR. ROBERTS: Why don't you give  
 4 me a break. We might be real close and  
 5 either we can go to lunch or we can  
 6 defer lunch to a short time in the  
 7 future.  
 8 (A break was taken.)  
 9 Q. Mr. Honaker, we're back on the record  
 10 and you're under oath. Are you mindful that  
 11 Jefferson-Pilot sued Chris Kearney in 2002?  
 12 A. No, I'm not.  
 13 Q. During your tenure, are you mindful of  
 14 Jefferson-Pilot suing any of its claimants?  
 15 A. I don't know of anyone specifically,  
 16 but it certainly could have occurred.  
 17 Q. Let's define it as disability insurance  
 18 claimant since you had responsibilities elsewhere.  
 19 A. I don't recall anyone at this point.  
 20 Q. Did you interact with anybody at  
 21 Jefferson-Pilot about the need, desire or strategy to  
 22 sue a disability insurance claimant?  
 23 A. Not that I'm aware of.  
 24 Q. Did you interact with outside counsel  
 25 at all, someone named Jerry Johnson, about bringing

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1 action against Mr. Kearney in 2002?  
 2 A. I've never heard the name Jerry  
 3 Johnson.  
 4 Q. Did you interact with in-house counsel  
 5 at all about the company bringing a lawsuit against  
 6 one of the policyholders over a claim and that claim  
 7 for which you had senior management responsibility?  
 8 A. I don't know of a claim specifically,  
 9 no.  
 10 Q. That's not something that you felt was  
 11 within your responsibility field, i.e., being advised  
 12 when the company was going to take legal action  
 13 against one of the policyholders of a claim that you  
 14 had senior responsibility for?  
 15 A. I don't recall that occurring.  
 16 Q. Would it have been your expectation  
 17 that you would have been involved in the  
 18 decision-making process if it had occurred?  
 19 MR. MEAGHER: Objection to form,  
 20 speculation. You can answer.  
 21 A. I would have been advised regarding it.  
 22 Q. What happened with all the pending  
 23 claims that went to DMS? Did all the files and every  
 24 document get transferred from Jefferson-Pilot to DMS  
 25 for those claims that they took over responsibility

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1 for?  
 2 A. The complete claim file would have gone  
 3 to DMS.  
 4 Q. Which would mean every document  
 5 relating to each respective claim?  
 6 A. As far as I know, yes.  
 7 Q. And did you say that DMS got specimens  
 8 of all the policies, the forms that you sent to  
 9 claimants, including the authorization?  
 10 A. Yes.  
 11 Q. For its use in continuing the claim  
 12 management?  
 13 A. That's correct.  
 14 Q. Do you recall ever DMS coming back and  
 15 saying, we want to make these tweaks to your forms  
 16 because we think they'd be better if they had our  
 17 language?  
 18 A. I don't recall that.  
 19 Q. Do you know a gentleman named Bill  
 20 Dempsey?  
 21 A. Yes.  
 22 Q. Did you ever interact with Mr. Dempsey?  
 23 A. Yes.  
 24 Q. What was the nature of the interaction  
 25 with Mr. Dempsey?

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1 A. He did reinsurance claim audits on one  
 2 or two occasions.  
 3 Q. On disability insurance?  
 4 A. Yes.  
 5 Q. Did that mean he came to your offices  
 6 to look at claim files --  
 7 A. Yes.  
 8 Q. -- on one or two occasions in the year  
 9 1999?  
 10 A. I have no idea the time -- the time  
 11 frame.  
 12 Q. Did he ever come to your office in the  
 13 1999 period?  
 14 A. Again, I don't know anything regarding  
 15 the time frame.  
 16 Q. How about Robert Linner, do you know  
 17 who he is?  
 18 A. The name is not familiar.  
 19 Q. L-i-n-n-e-r.  
 20 A. The name's not familiar to me.  
 21 Q. Have you described for me all the  
 22 interaction with Mr. Dempsey that you can recall?  
 23 A. I know that he did claim audits. You  
 24 know, he came to our office for claim audits. I don't  
 25 recall anything beyond that.

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1 STATE OF KENTUCKY )  
 2 COUNTY OF FAYETTE )  
 3  
 4 I, TAMELA T. LEWIS, Certified Court Reporter  
 5 and Notary Public, State of Kentucky at Large, certify  
 6 that the facts stated in the caption hereto are true;  
 7 that at the time and place stated in said caption the  
 8 witness named in the caption after being by me duly  
 9 sworn, was examined by counsel for the parties; that  
 10 said testimony was taken down in stenotype me by and  
 11 later reduced to typewriting, by computer, under my  
 12 direction; and the foregoing is a true and complete  
 13 record of the testimony given by said witness.  
 14 No party to said action nor counsel for said  
 15 parties requested in writing that said deposition be  
 16 signed by the testifying witness.  
 17 My commission expires: March 19, 2011.  
 18 In testimony whereof, I have hereunto set my  
 19 hand and seal of office on this the 22nd day of March,  
 20 2007.  
 21  
 22 TAMELA T. LEWIS  
 23 Certified Court Reporter  
 24 Certificate No. 20042065  
 25 Notary Public, State-at-Large

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1 Q. He went to that effort because his  
 2 company had a financial interest in the claims?  
 3 A. I assume that was the reason, yes.  
 4 Q. But you don't have a memory of  
 5 interacting with him about the undertaking of hiring  
 6 DMS to administer the claims?  
 7 A. I don't recall it, no.  
 8 MR. ROBERTS: Sir, we're  
 9 concluded. Thank you for your time.  
 10 MR. MEAGHER: I have no questions.  
 11 Just make sure the record reflects  
 12 Mr. Kearney's presence during this  
 13 deposition.  
 14  
 15 (DEPOSITION CONCLUDED)  
 16  
 17  
 18  
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